



# The Evolution of UK Climate Finance

ROB MOORE · IAN MITCHELL

## Abstract

This policy paper evaluates the UK's updated approach to international climate finance (ICF), which incorporates a £6 billion three-year official development assistance (ODA) target with a new £6.7 billion non-ODA target and a commitment to improve coherence between the UK's ODA and non-ODA levers. Using publicly available information, we examine the overall levels and focus of the finance. We find overall ICF levels to remain broadly stable over the coming period amid rising needs, with a significant rise in the share of non-grant finance with limited benefits for least developed countries. We note a number of delivery risks and highlight six recommendations with a focus on opportunities to improve coherence, focus, impact, and ambition of the UK's climate finance strategy.

## The Evolution of UK Climate Finance

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The authors would like to extend their thanks to Dileimy Orozco and an anonymous reviewer for their review and feedback on this policy paper; as well as to Joe Thwaites, Jonathan Beynon, Amar Bhattacharya, Anupama Sen, Andreas Klasen and many others for sharing their insights during its preparation.

Rob Moore and Ian Mitchell. 2026. "The Evolution of UK Climate Finance." CGD Policy Paper 404. Washington, DC: Center for Global Development. <https://www.cgdev.org/publication/evolution-uk-climate-finance>

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Center for Global Development. 2026.

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## Executive summary

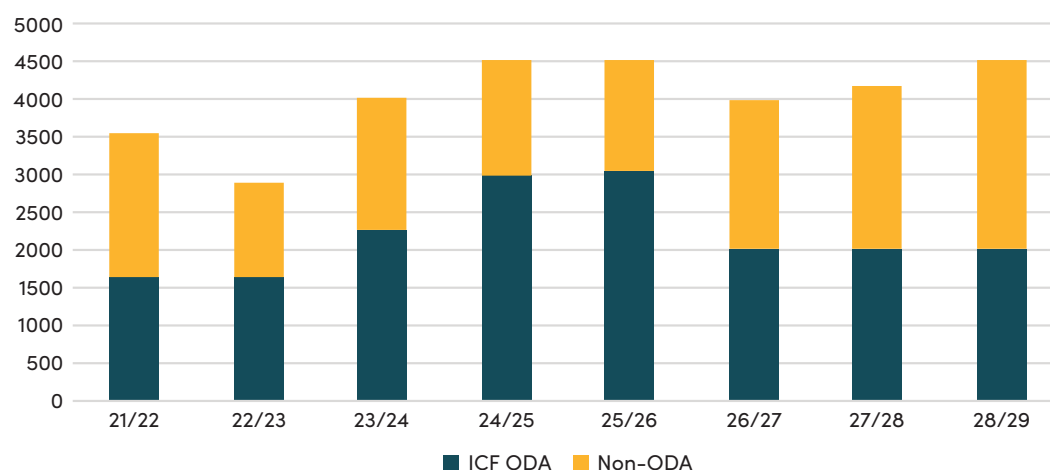
The UK has published its updated ICF Strategy, covering the period from 2026/27 to 2028/29.

This comes at an unprecedented time of geopolitical fragmentation, immense climate and development investment needs, and with the UK's lowest official development assistance (ODA) budget in 20 years constraining spending choices. In response, the UK has announced that it will couple £6bn in ICF ODA with £6.7bn in non-ODA public finance, leading to an overall target of £12.7bn over three years. This reflects a wider trend, in the UK and across donors, to pivot from the provision of grant-based aid to a combination of strategic investment and expertise-sharing.

The absence of a clear baseline for non-ODA UK climate finance makes it difficult to evaluate the extent to which overall climate finance levels will evolve. Using publicly available information, we find that if the targets are met overall, total UK climate finance (ODA and non-ODA) is likely to increase only marginally over the coming period as compared to the previous five years, with a reduction in grant-based ODA coupled with a 40 percent increase in non-ODA. Non-ODA measures will overwhelmingly benefit better-off countries, with only an estimated 7 percent (based on commitments and current trends) projected to reach LDCs.

This is not consistent with rising global needs nor the development, environmental, security and financial benefits of increasing climate finance in low- and middle-income countries (L/MICs). The distribution of non-ODA also calls for an increase in attention to the level of grant-based ICF reaching the most vulnerable countries, to ensure balance across the UK's overall portfolio. The UK should nonetheless receive credit for being the first major donor to provide predictability in climate finance in the coming years, as well as for providing transparency by clearly demarcating its ODA commitment.

**FIGURE 1. Estimated total ICF (ODA & non-ODA), 2021/22–2028/29 (£m)**



Source: Estimates derived from official government, BII and IMF documents and in-house estimates of UKEF climate finance (see annex for underlying detail).

## ICF ODA

ICF4 reflects a continuation of longstanding ICF themes, with thematic focus areas covering finance mobilisation, energy, adaptation and nature. The ICF Strategy lacks operational detail and leaves scope for a wide variety of programming options, but the UK has invested in a strong evidence base and dedicated monitoring and evaluation capability. ICF has received generally favourable reviews from previous independent assessments, though co-ordination and coherence challenges have been consistently highlighted as in need of improvement. This will become more pressing with a wider range of actors involved in delivering the UK's ICF Strategy.

Moving forward, the critical challenge for ICF ODA will be responding dynamically to a rapidly evolving landscape. There is not a single framework for determining the best value investment, and programming must evolve to simultaneously allocate finance for highest impact at the global level whilst revolving delivery around nationally determined priorities. Absent publication of the UK's updated 'best buys' evidence base for climate finance and stopping short of specific programmatic recommendations, we highlight the following areas that warrant further interrogation and prioritisation for the ODA portfolio across ICF themes in the coming period – reflecting on areas of UK expertise, best buys evidence and where concessional finance is most likely to be needed.

**FIGURE 2. Summary of proposed priority actions and shifts for ICF programming**

| ICF4: Overview of proposed priority actions and shifts                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Finance                                                                                                                                                                                                                                                                                                      | Energy                                                                                                                                                                                                                                                                                                                 | Adaptation                                                                                                                                                                                                                                                                                   | Nature                                                                                                                                                                                                                                                                                                           |
| <ul style="list-style-type: none"> <li>• Driving continued MDB reform, including further guarantee issuance</li> <li>• Standardising blended finance</li> <li>• Increasing diversification of instruments</li> <li>• Deepening focus on market creation</li> <li>• Adaptation in frontier markets</li> </ul> | <ul style="list-style-type: none"> <li>• Targetting concessional finance at harder to abate sectors</li> <li>• Accelerating coal phase out in Asia</li> <li>• Pairing policy technical assistance w/non-ODA</li> <li>• TA &amp; scaled MDB finance for grid upgrades</li> <li>• Clean energy access in LICs</li> </ul> | <ul style="list-style-type: none"> <li>• Set quantified ODA target (50–70%, focussed on most vulnerable)</li> <li>• Priority sector-specific targets and metrics (health, agriculture, NBS)</li> <li>• Expanding pre-arranged finance</li> <li>• Adaptation technology investment</li> </ul> | <ul style="list-style-type: none"> <li>• Continued support for high-value nature-based resilience</li> <li>• Clarify accounting treatment of TFFF</li> <li>• Review approach to forest finance and role of carbon markets</li> <li>• Continued governance reforms and integration with wider strategy</li> </ul> |
| Crosscutting: Close pairing of technical assistance with capital investment; reducing duplication and prioritising harmonisation and access; high-level donor co-ordination; support for national platforms; building a shared evidence pool; reporting programme-level results                              |                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                  |

## Non-ODA ICF

Whilst a breakdown of the non-ODA component of the ICF target has not been shared, the UK's non-ODA levers include investment from British International Investment (BII), FCDO's development guarantee portfolio, projected finance through the International Monetary Fund's stagnating

Resilience and Sustainability Facility and export support through UK Export Finance. Dependent on how the UK treats its newly announced loan contribution, it may also include finance to the Tropical Forests Forever Facility (TFFF).

The UK's non-ODA portfolio is, for the most part, derived from a series of commitments dating back to its COP26 Presidency. Of the commitments comprising it, only BII's new strategy and investment in the Asian Development Bank's *IFCAP* portfolio guarantee were made under the Labour government. The ICF Strategy does not, to our knowledge, reflect any new commitments. The target is eminently achievable, but there are significant risks to delivery, save for BII's revised climate target (40 percent) which we judge to be highly conservative based on its historic performance. Three clear risks stand out:

- UKEF has, in recent years, seen a drastic reduction in its climate finance which, if not reversed, could reduce ICF by **£1.6bn** over the coming period.
- The IMF RSF, having already stagnated, is facing challenges to its mandate which could see a reduced focus on climate. There is a case for this, but it would put at risk its projected contribution of almost **£500m** to the UK's target.
- MDB guarantees, whilst offering excellent use of the UK balance sheet, can only be used if allocated. **£750m** is reliant on a World Bank guarantee for Indonesia's JETP being allocated despite little progress since its announcement in 2022.

Non-ODA levers are inherently different to ODA. Whilst additional public investment in climate and development projects in L/MICs is welcome, it largely reflects investment in return-generating projects and is less likely to benefit the poorest and most vulnerable. This calls for action to provide better balance across ICF levers. We suggest this includes an adaptation finance target for the most vulnerable countries, well in excess of 50 percent and moving towards 70 percent of grant-based ODA.

Non-ODA levers also face lower scrutiny than ODA. The UK's reporting of guarantees varies across its portfolio and focusses on allocation of funds rather than impact. UKEF has only recently started monitoring development finance and only monitors impact in L/MICs in the form of jobs created. To ensure public money towards the ICF goal is used meaningfully and to ensure the target is met, there is a need for greater transparency and accountability in end results. This should be preceded by a review of delivery risks, consideration of further measures, and regular progress reporting.

## Building coherence across ICF levers and internationally

Making the most of the opportunity for greater coherence provided by the UK's shift in strategy will require a fundamental shift in how programming is developed and delivered, with various support levers working together to a shared mission. The aim should be for a whole-of-government approach

which delivers coherence across multiple investment channels. Whilst the intention to create this coherence is evidenced in the strategy, it will not happen organically, and leadership will be needed to achieve it. If it is serious about building coherence – and it should be – the UK should:

- Increase strategic alignment within government, so that different delivery entities hold shared priorities with senior buy-in. This requires a shared space for priority-setting within Whitehall and accountability up to ministerial level.
- Build common reporting approaches and coherent and comparable means of setting and monitoring impact targets, to improve shared accountability and encourage value in the use of public money. This would require an evolution in approach to incentivising and monitoring impact, especially for UKEF.
- Increase collaboration in-country, particularly where greater involvement of multiple actors (such as combining grant-based technical assistance with impact finance from BII and, subsequently, private mobilisation by UKEF) can confer scale and aggregated benefits that are greater than their individual parts.

In turn, this can help provide a pathway to scale for ODA interventions seeking to unlock transformational change. Over time, it can also enable ODA to be better targeted where it is most needed and where investment levers are less likely to deliver.

## Conclusions and recommendations

The UK is one actor among many, but practically meeting global climate and development needs will require a step change across concessional finance, public investment and private finance mobilisation through deep structural reform. The ICF Strategy is a reasonable starting point, and the UK deserves credit for setting a target when others are stepping back, but it omits key levers and does not go far enough.

With a range of additional tools at its disposal, and with the need to tackle structural barriers such as debt and prudential regulation in parallel to increased public investment, the UK should consider further measures for increasing finance flows to L/MICs and set these out ahead of COP31 as it heads into its G20 Presidency. This should be accompanied by greater effort to tackle longstanding and well-understood barriers to an effective international delivery architecture, with the UK's history of shaping the climate finance landscape and commitment to results positioning it well to champion a more recipient-friendly delivery ecosystem.

### Summarised policy recommendations

1. Ensure effective delivery over ICF4 by publishing updated best buys guidance and setting out delivery strategies and impact targets across ICF themes, accompanied by annual reporting across ODA and non-ODA programmes.
2. Prioritise the most vulnerable by setting an adaptation target for grant-based climate finance, in excess of 50 percent and up to 70 percent of ICF ODA.
3. Build strategic coherence by broadening ICF governance structures to incorporate institutions now a part of ICF delivery, including UKEF and BII.
4. Clarify the composition of the £6.7bn non-ODA target and undertake an exercise to resolve delivery risks, notably for UKEF, the RSF and the guarantee portfolio. Develop alternative options if these are insurmountable.
5. Identify a small number of countries in which collaboration across targeted ODA and non-ODA levers – including BII, guarantees, and UKEF – could have a synergistic impact through sequenced investment in country platforms.
6. Play a more active role in donor co-ordination and in supporting a more effective and efficient global delivery architecture, including dedicating senior or ministerial time to associated engagement.
7. Ahead of COP31, set out measures beyond ICF ODA to generate additional climate finance, including consideration of further non-ODA investment and financial policy measures following the work of the EMDE Investor Taskforce.

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# 1. Introduction

The UK has published its international climate finance (ICF) strategy for the coming three-year period, elaborating on its commitment to provide around £6bn in ICF ODA from 2026/27 to 2028/29. This is supplemented by a wider target to provide £6.7bn in non-ODA ICF over the same timeframe, utilising a range of public finance levers beyond the ICF budget. This leaves an overall ICF target,<sup>1</sup> comprising ODA and non-ODA levers, of £12.7bn. How this relates to historical UK expenditure is unclear, given the absence of a public baseline of the UK's non-ODA climate finance contributions.

A reduction in ICF ODA is a direct consequence of the UK's ODA budget reaching its lowest level in over 20 years. Relative to wider ODA, ICF is relatively well protected, with a 14 percent reduction over the previous five-year period but a much more significant 33 percent cut when compared to 25/26 levels. This reflects that the UK's ICF ODA climbed significantly in 25/26 in order to meet its five-year £11.6bn target. The commitment comes at a time long-touted as the critical period for climate action, but where faith in climate multilateralism is under threat and as low- and middle-income countries face unprecedented debt burdens. In line with international goals, the trend should be up, not down – with the [Independent High-Level Expert Group](#) estimating that concessional finance must increase fivefold over the same period.

A reduced budget will inevitably reduce the ability of the UK to have impact where concessional and grant-based finance is needed, especially to protect the poorest or drive investment for transformational impact. This can be partially mitigated by the right combination of prioritisation, strategic direction, the coherent use of the UK's wider toolkit of financial levers and a clear focus on results. It can also be mitigated by the UK playing an increased role in driving coherence amongst climate finance providers and increasing its diplomatic efforts through and beyond its pending G20 Presidency.

This paper unpacks the UK's ICF Strategy and wider outlook for ICF, considering the opportunities and challenges the government will face in allocation and delivery and providing insights into historical and future use of non-ODA across UK public finance. We first set out the outlook facing ICF, the implications of this for ICF ODA and provide broad reflections on the UK's ICF strategy as it relates to ODA programming directions. We then seek to unpack the UK's non-ODA ICF portfolio, including how it relates to historical expenditure. We finish by reflecting on how the UK can make the most of its aim to increase coherence between ODA and non-ODA levers to enhance its impact on global climate finance, and options for delivering further scale in the near term at limited or no cost to public budgets.

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<sup>1</sup> Throughout this paper, 'ICF' is used to refer to total international climate finance (combining ODA and non-ODA), with ODA ICF and non-ODA ICF used when referring only to this segment of the UK's portfolio. This distinction is also used when referring to historical ICF, which has been solely ODA based.

## 1.1 The outlook facing ICF

Climate investment needs are **vast**, and highest in low- and middle-income countries, where estimates range into the trillions of dollars per year.<sup>2</sup> Gross global investment needs are highest in the energy and transport sectors, though relative needs (i.e. versus current supply) are highest in industry and agriculture, forest and land use. UNEP estimate the cost of adaptation alone in developing countries will amount to \$310bn per year by 2035.<sup>3</sup>

In the face of these needs, governments have committed to mobilising \$300bn per year in climate finance to developing countries by 2035.<sup>4</sup> This will derive from the conventional sources of climate finance used to meet the existing \$100bn goal – bilateral public finance (\$43.9bn<sup>5</sup> in 2024), multilateral public finance (\$57.7bn), export credits (\$4.6bn) and directly mobilised private finance (\$30.5bn). All of the UK's levers underpinning its £12.7bn combined ICF target are eligible towards this goal. Where they flow through multilateral actors, such as MDBs, they will have already been 'counted' towards the \$100bn goal in collective reporting exercises.

In addition, governments have committed to a collective wider target of \$1.3tn in overall annual finance flows into developing countries by 2035. This **broadens the sources of finance to incorporate all levers** – including indirectly mobilised private finance and commercial investment. This brings a wider range of policy tools into play, including those relating to macroeconomic policy, debt relief, prudential regulation and policy frameworks in developing countries themselves.

The UK has set out an aim of increasing private mobilisation to L/MICs, including through its previous **Green Finance Strategy**<sup>6</sup> and more recently through its **EMDE Investor Taskforce**,<sup>7</sup> though many of the policies that could lead to investment at the scale needed – such as action on indebtedness and prudential regulatory reform to better reflect real risk of investments in emerging markets – are tightly held by finance ministries and have struggled to make progress in recent years. These measures are not included in the ICF target, but will be necessary if climate and sustainable development goals are to be met.

The UNFCCC has not set any target for domestic resource mobilisation (DRM), which is not included in the \$1.3tn target. The absence of any quantified incentive to promote DRM – opposed in the setting of the global goal in order to prevent a dilution of developed country obligations to provide

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2 <https://www.climatepolicyinitiative.org/publication/top-down-climate-finance-needs/>

3 *Adaptation Gap Report 2025: Running on Empty - The World is Gearing up for Climate Resilience—without the Money to get there.*

4 Beyond some SIDS, UK ICF commitments largely target finance in low and middle income countries (referred to throughout as L/MICs), though UNFCCC commitments refer to 'developing countries' – a wider grouping which includes a number of high-income countries. L/MICs is used throughout this paper unless explicitly referring to UNFCCC obligations and evidence used to quantify needs within a UNFCCC context. See recent *CGD analysis* for further detail on this topic.

5 <https://www.oecd.org/en/topics/climate-finance-and-the-usd-100-billion-goal.html>.

6 *Green finance strategy* - GOV.UK.

7 *EMDE Investor Taskforce*.

finance under the UNFCCC – risks promoting foreign investment (which is certainly needed at scale) over initiatives which are critical for sustained local growth and avoiding further indebtedness. DRM does, however, feature heavily in 2025's [Compromiso de Sevilla](#),<sup>8</sup> and is a priority for many L/MICs outside the negotiating rooms of the COP. Initiatives to promote DRM will remain integral, notwithstanding that such finance will not count towards the \$1.3tn target.

At a global level, international public climate finance – covering both ODA and non-ODA flows – fell in 2024,<sup>9</sup> with the first fall in public climate finance attributable to developed countries since the Paris Agreement was signed.<sup>10</sup> This is ahead of an anticipated drop of 23 percent in overall ODA in 2025 driven by a small number of major donors.<sup>11</sup> 2024 also saw adaptation finance reach its lowest level since 2020. An overall rise in global climate finance flows to over \$2tn was driven by DRM and South-South flows.

There is also increased politicisation of climate policies in international financial institutions (IFIs), with the World Bank Group abandoning its flagship 45 percent climate finance target and US-led challenges to low-carbon energy policies. There are now signs that this trend will spread to [other IFIs](#), especially where the US retains a strong shareholding. Whilst this does provide the silver lining of an opportunity to focus on impact (results delivered) over outputs (money spent), targets have been instrumental in increasing climate finance amongst donors, MDBs and DFIs and vigilance will be needed to avoid contagion and ensure continued growth.

Beyond their immediate impact on ODA budgets, geopolitical developments are also interacting with delivery and prioritisation. Western donors are increasingly considering how to use their remaining budgets in a manner that responds to national interest, including with regard to trade, supply chain resilience and security. The [G7 Leaders' Statement](#) set out earlier this year translates this into a vision for mutually beneficial partnerships as a cornerstone of future development. How this is operationalised – including to protect the poorest, how local benefits will be assured, and how structural measures (such as indebtedness and investor risk perception) which limit capital mobilisation in L/MICs are tackled alongside it – will be crucial. The UK and European governments will be key actors in implementation, including to ensure climate mitigation and resilience do not become marginal concerns.

The risk of displacing those most in need is exemplified by minor falls in adaptation finance globally in 2024 masking a [35 percent reduction in such finance in least developed countries](#) (LDCs) (and a 50 percent reduction for countries that are both LDCs and SIDS). Recent analysis has further highlighted that fragile and conflict-affected states (CFAS) also have particular vulnerabilities and

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<sup>8</sup> [Fourth International Conference on Financing for Development: Outcome document - Sevilla Commitment.](#)

<sup>9</sup> [Global Landscape of Climate Finance 2026.](#)

<sup>10</sup> [Climate Finance and the USD 100 billion goal | OECD.](#)

<sup>11</sup> Whilst the UK is one of the countries to have cut ODA, UK climate finance rose in 2024 and will continue to rise in 2025, and so this trend is yet to account for a reduction in ICF ODA over the coming period.

are amongst the lowest recipients of adaptation finance.<sup>12</sup> The realities of ODA cuts have starkly reduced the UK's presence in some of the world's most vulnerable countries, including a **56 percent reduction** in Africa.

The UK has outlined its own approach through its 'four shifts'<sup>13</sup> in development, towards investment, system support, empowering local leadership and expertise sharing. Done well and in accordance with good development principles to ensure local benefit, this can theoretically shore up resilience in donor countries whilst attracting finance at scale to a sub-set of countries with high development needs and opportunities, particularly for green industrial growth or where resilience enhances global stability.

Donors and recipient countries are increasingly highlighting the importance of delivery revolving around nationally led plans or 'country platforms', building on longstanding principles of aid effectiveness. This provides an opportunity to better align support, both at the level of budget allocation and in-country. But doing so well has fundamental implications for climate finance delivery.<sup>14</sup> It will require individual donors to work more collectively, with coherent multilateral support paired with individual donors working more deeply by forming close partnerships with a smaller number of countries, combining long-term technical assistance with a predictable pathway to investment.

This leaves open a number of challenges for climate finance providers, including the UK. Impact will become imperative, with every penny made to count, proliferation reduced and co-ordination key. Tough decisions will be needed on prioritisation. Donors will also need to be politically nimble, navigating the politics of international financial institutions and structural reform and using a wider range of financial tools. Finally, donors will need to navigate intensifying geo-political pressures whilst also fostering partnership and responding to country-driven priorities.

## 1.2 What should ICF ODA be aiming to do in this context?

UK ICF – including the previous £5.8bn (2016/17–2021/22) and £11.6bn (2021/22–2025/26) five-year commitments – has historically been set out in grant-equivalent terms as a ring-fenced component within the ODA budget. The UK has now broadened its use of public finance instruments (in line with many other leading donors, including Germany and France), but has maintained transparency by setting out a dedicated envelope of ICF ODA. This is a welcome trust-building measure and should be sustained to provide an honest reflection on the amount of new public money actually being allocated to support L/MICs.

An ideal starting point is a firm evidence base on how best to allocate funding to maximise value. The UK commissioned updates to inform an updated publication of its 'best buys' framework

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<sup>12</sup> Climate Finance Allocations and Vulnerability: New Insights on Fragility and Conflict | Center For Global Development.

<sup>13</sup> The UK's modern development approach, July 2026 - GOV.UK.

<sup>14</sup> The Supply Side of Country Platforms | CONCITO.

for climate interventions in 2025,<sup>15</sup> with separate evidence bases being commissioned by the FCDO, DESNZ and Defra to inform portfolio allocation. It has not yet published its updated best buys framework, but the underlying evidence should nonetheless be used to inform programme prioritisation.

For mitigation finance there is a distinction to be made in allocation between climate finance which is primarily targeted at accelerating the transition and has an additional cost attached (primarily, but not exclusively, funded by DESNZ), and programming which confers climate benefits but would in of itself represent good value from the perspective of local development. The long-term aim should be for the former – largely in UMICs – to be resolved through a combination of structural measures, international co-operation and non-concessional finance. In the shorter-term, ODA ICF primarily motivated by mitigation potential should increasingly be targeted at sectors which are most under-funded and continue to face cost and revenue barriers, maximising its potential for transformation. This includes agriculture, forest and land use and investment in hard to abate sectors to develop green industry and jobs.

Energy and transport remain, in gross terms, the most at need sectors for investment. But investment at scale is happening and renewables are now established as the most cost competitive new electricity generation in over 90 percent of projects.<sup>16</sup> An incremental injection of ODA capital is unlikely to make a major difference in the margins. The focus here should be on delivery at scale through the MDBs, and where cost of capital is not prohibitive the private sector. Bilateral technical assistance (for instance, in energy system planning and grid flexibility) can help play a role in accelerating delivery; and broad de-risking and securitisation measures can help to bring in the private sector affordably. There are notable exceptions to this general rule, such as the continued need for concessional finance to overcome challenging political economy factors in accelerating coal phase-out, especially in South and South-East Asia.<sup>17</sup>

Beyond this, there are a wide range of cost-effective mitigation measures which are a function of good development practice, such as clean energy access, improved building standards, climate-smart agriculture and clean cookstoves. The cost-effectiveness of these measures is often determined at the local level and can vary widely between projects,<sup>18</sup> and must focus on immediate development gains as well as emissions reduction.

Adaptation needs remain dispersed, with evidence gaps on effectiveness of interventions, but the UK's recent evidence updates highlighted agriculture, early warning systems and nature-based solutions amongst those with a sound evidence base for cost-effectiveness. Agriculture – chronically

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15 Rapid Review: Effectiveness of climate change adaptation interventions in low- and middle-income countries - Agulhas.

16 91% of New Renewable Projects Now Cheaper Than Fossil Fuels Alternatives.

17 Resurgence to Retirement: Global Insights on Transitioning Away from Coal | Global Development Policy Center.

18 Cost-Effectiveness and Synergies for Emissions Mitigation Projects in Developing Countries | Center For Global Development.

underfunded – will come into sharp focus in coming months as El Nino strengthens, threatening food security in climate vulnerable regions including Sub Saharan Africa.<sup>19</sup> Recent studies have also highlighted the UK's untapped potential in developing adaptation technologies,<sup>20</sup> which are under-invested in globally and face a number of challenges to commercialisation but stand to offer cost-effective resilience solutions in many vulnerable contexts.

ICF is also likely to be influenced by consideration of national interest, and by the need to build public and political support. This needn't be at the detriment of ODA – there are no shortage of high value climate and development interventions that also serve national interest. Drought-tolerant seeds that enhance food security, support for green industrialisation in critical supply chains such as batteries and reduced fossil fuel reliance all serve critical UK interests and can be delivered without detriment to their core focus of poverty alleviation and local economic growth.

A significant amount of ICF is spent through multi-country channels, meaning country allocations are not provided. Nonetheless, the UK is able to play an active role in shaping the portfolios of the funds it contributes to and should champion allocation to countries where its international public finance can have greatest impact.

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## 2. ICF ODA

### 2.1 What does the ICF Strategy tell us about the future ICF portfolio?

The ICF Strategy is largely focussed on ICF ODA, spent by four government departments – FCDO, DESNZ, Defra and BIST.<sup>21</sup> In line with its predecessors,<sup>22</sup> it is not an operational strategy in a conventional sense. It does not set out a theory of change, a framework for funding prioritisation, quantified impact targets, nor details of how the measures outlined within it will achieve these. Nor does it provide information on the size of programmes, likely due to ongoing portfolio development.

Whilst not saying enough to allow a full appraisal, the strategy does provide insights into the evolution of ICF, relating to its thematic focus areas and the channels used for delivery. It includes a clear emphasis on scale, with a continued commitment to financial architecture reform and delivery through multilaterals, and welcome commitments to a focus on country-led development and much-needed improvements in co-ordination and harmonisation across the climate finance system.

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<sup>19</sup> El Niño is coming. Here is where the risks to agriculture are highest.

<sup>20</sup> Catalysing climate resilience: an analysis of the UK's strengths in the innovation of adaptation technologies and services - CETEx.

<sup>21</sup> On the assumption that BIST (the Department for Business, Innovation, Science and Trade) will take over previous programming led by the Department for Science, Innovation & Technology following a machinery of government change.

<sup>22</sup> UK International Climate Finance Strategy - GOV.UK.

Notwithstanding the absence of publicly facing, measurable targets, the ICF Strategy deserves recognition for its focus on value for money and evaluation, and for committing to publishing ICF results as an official government statistics document with the higher standards that brings. To date, whilst far more advanced than most donors, ICF ODA results reporting does not provide a breakdown of impact at the programme or project level. This limits comparability of performance between ICF investments. The coming period offers the opportunity to address this. Efforts to enhance portfolio monitoring have been buttressed by the overdue [renewal](#) of ICF's monitoring, evaluation and learning programme, the previous iteration of which ended in 2020. If effectively used to steer programming decisions, this will provide a basis for greater cross-departmental co-ordination and position the UK to support the resolution of widespread evidence gaps in global climate finance effectiveness.

From the FCDO's recently published ICF allocations, we estimate that, of ICF ODA:

- Around £2bn is allocated to the spending departments and directorates with a primary focus on ICF delivery (the FCDO's Climate & Energy Unit, DESNZ and Defra). There will also be a small allocation for BIST to fund the cross-departmental Ayrton Fund for energy innovation (previously set at £1bn through to March 2026, with an £88m extension announced alongside the ICF Strategy's launch<sup>23</sup>). This envelope will be the primary source of dedicated global climate finance programming, including for multilateral climate funds such as the Green Climate Fund (GCF) and Climate Investment Funds (CIFs), and features most prominently in the ICF Strategy. This reflects a significant cut in dedicated ICF programme budgets, including steep year-on-year cuts for DESNZ and Defra. The amount allocated to BIST is not publicly available, but is likely to be small as a proportion of the overall ICF portfolio.
- Around £1.1bn is scheduled to be allocated through the UK's core MDB contributions, the majority of which will be through the African Development Fund (ADF) and the World Bank Group's International Development Association (IDA). We understand that smaller contributions to concessional and non-concessional arms of other MDBs may also be included in the ICF target. Whilst previous criticisms of changes to ICF accounting to incorporate MDB contributions rightly highlighted concerns of 'moving the goalposts' to meet pre-set targets,<sup>24</sup> these institutions are effective and trusted delivery partners and able to reach scale that the UK couldn't alone. Nonetheless, this reflects a significant increase in the use of core MDB contributions as an ICF delivery channel, reflecting 20 percent of the UK's future ICF ODA as compared to 6.5 percent (£746m)<sup>25</sup> over the previous ICF period. Contributions to the MDBs are scored in accordance with expectations

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23 [UK announces extension of the Ayrton Fund and Transforming Energy Access Platform - Transforming Energy Access \(TEA\)](#).

24 [UK accused of 'moving goalposts' on climate finance commitments | Climate finance | The Guardian](#).

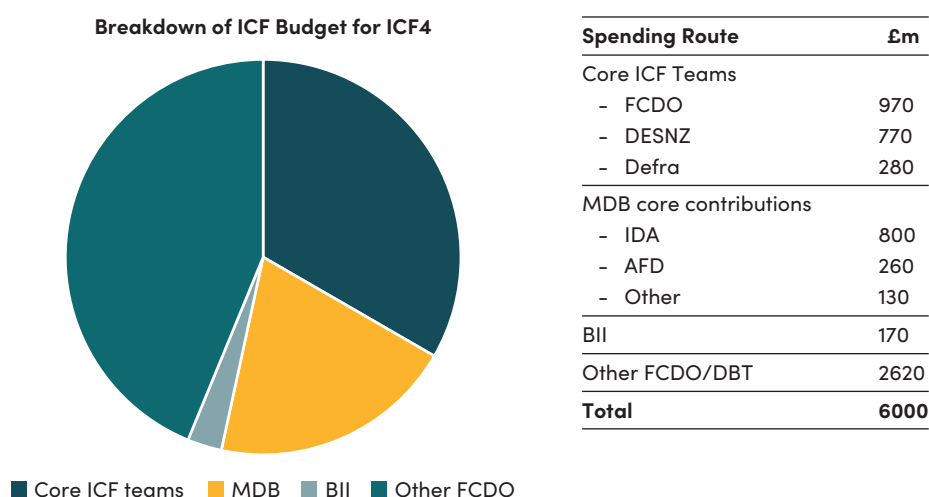
25 [UK aid's international climate finance commitments - Independent Commission for Aid Impact](#).

on their future climate lending but are not explicitly ring-fenced for this purpose.

With targets abandoned at the World Bank<sup>26</sup> and under threat in other MDBs with a high US shareholding, the UK will need to invest effort in MDB boards and work with others to ensure sustained delivery. Support for country-led development strategies beyond MDB board structures can help, by building pipelines that result in more clean and resilient projects coming to MDBs regardless of internal policies.

- The remainder – just under half of total ICF ODA – will be distributed through FCDO teams and will be delivered either through in-country programming or through mainstreaming climate into other development projects. Under new ICF accounting rules, this will also include 30 percent of humanitarian spending in major FCDO recipient countries that are in the 10 percent of most climate vulnerable countries. This includes major recipients of FCDO humanitarian support including Sudan, DRC, Afghanistan, Somalia and Yemen. This humanitarian share was responsible for around £100m per year in ICF over the previous five-year period<sup>27</sup> – it is likely to remain at around this level given the absolute protection of humanitarian ODA in the coming three years.<sup>28</sup> We also estimate that around £170m will go towards planned general capital contributions to British International Investment (BII), the UK’s development finance institution (DFI), based on its 40 percent climate finance target.

**FIGURE 3. Estimated ICF4 budget by major channels (rounded to nearest £10m)**



Source: Official Development Assistance programme allocations 2026/27 – 2028/29 (UK Parliament).<sup>29</sup>

<sup>26</sup> Update on the World Bank Group Climate Change Action Plan.

<sup>27</sup> International-Climate-Finance-ICAI-Review.pdf.

<sup>28</sup> Assessing the UK’s International Development Reset | Center For Global Development.

<sup>29</sup> EBRD and IDB Invest allocations based on even spread of payments over capitalisation period and ODA co-efficient applied. The share of Defra ODA which will be dedicated to ICF is not public. We have used the percentage of the UK contribution to the Global Biodiversity Framework Fund scoring as ICF (80%) as a proxy estimate to estimate total Defra ICF.

The UK has been a major funder of multilateral climate funds, and until recently stood as the largest active donor in both the CIFs and GCF. Following a near halving of the UK's contribution to the GCF under its current replenishment period to £815m and having already fulfilled £655m of its pledge,<sup>30</sup> £160m is left outstanding for ICF4. While the precise drivers of the reduced ICF budget for the GCF are not public, it is notable that the decision coincided with decisions to preserve funding for IDA and the AFD, as well as to allocate over £1bn to BII in 2025 and to extend further funding to the CIFs. Whilst the GCF has faced criticism, it is in the process of a significant reform drive and its status as the flagship fund of the UNFCCC means that the UK is likely to face sustained criticism at coming COPs. This is especially so given a global commitment to triple outflows from the UNFCCC funds by 2030, which the UK cut will have a material impact on. This will fundamentally impact perceptions of the UK as a reliable climate finance provider.

The GCF demonstrating increased impact will be integral in shoring up support ahead of its third replenishment (2028–2031). Decisions on the replenishment will have a major impact on available ICF ODA in the final year of the ICF pledge (2028/29) and may also impact the second year (2027/28). A smaller number of effective climate funds is essential for shoring up the effectiveness of the climate finance system and complementing the roles of the MDBs through a greater focus on more concessional interventions and supporting local institutions, with the GCF a central actor. This is especially true given uncertainty over future climate commitments within MDBs. The UK must therefore work with the GCF to support the implementation of reforms that can reinvigorate its reputation as a truly transformational global fund.

The UK has also announced that it will match its contribution of £330m to the last replenishment of the Global Environment Facility (GEF) over the coming replenishment period (2026–2030), though this comes alongside an almost halving of the GEF's climate change focal area share from 16 percent to 9 percent. Other UNFCCC funds (such as the Adaptation Fund (AF) and Fund for Responding to Loss & Damage (FRLD)) will also see continued international pressure for support, with the AF seeing an annual replenishment cycle and the FRLD due to begin its first four-yearly replenishment in 2027.

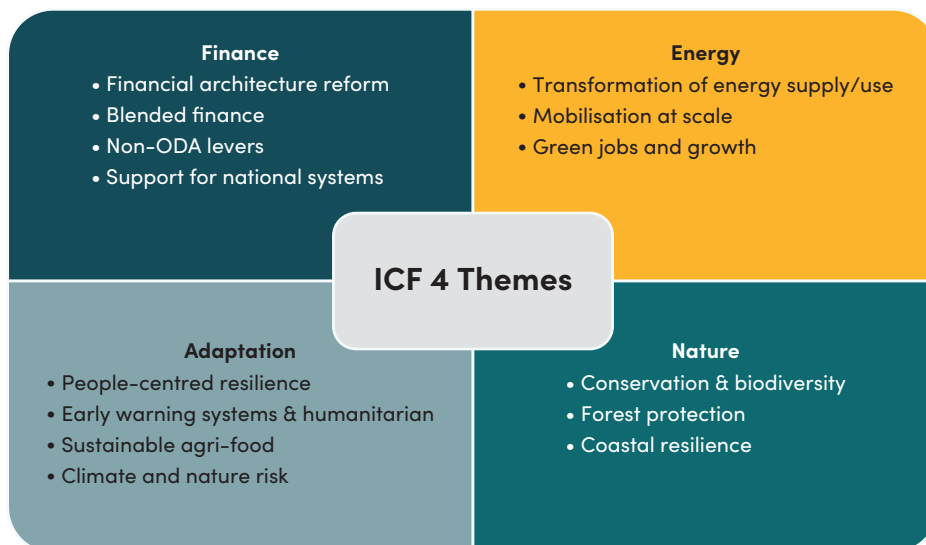
## 2.2 What will – and should – ICF ODA be spent on?

The strategy outlines four priorities for ICF – finance, energy, adaptation and nature, with finance replacing the previous ICF3 theme of Sustainable Cities and Infrastructure. These are more accurately described as themes than priorities – collectively, they reflect the sum total of climate-related activities. The key challenge, which remains unresolved, will be how to prioritise within and between themes with a lower budget. They are also highly entwined – both nature and energy investments can confer resilience, and finance is needed for all other themes to be delivered.

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<sup>30</sup> Status of Pledges as at 31 March 2026 (2016.9.10).

**FIGURE 4. Four themes of ICF**



### 2.2.1 Finance

ICF4 is likely to build on the approach the UK has shown in seeking to drive reform of international financial institutions, such as MDBs, to mobilise finance at greater scale. This should seek to reinvigorate the flagging [MDB triple agenda](#) promoted by subsequent G20 Presidencies. Doing this in a manner which incentivises low emission and resilient finance, rather than more finance in general, will be more challenging given political barriers posed by the US shareholding at some MDBs such as the World Bank. The UK will need to help drive support for climate investment from clients in such institutions (including by purposely using its wide capacity building and technical assistance portfolio to create demand for climate-aligned projects), whilst also actively coalition-building to preserve climate policies. The UK and its partners should not be afraid to pivot concessional finance to institutions which are seeking to increase climate investment if others are unwilling to do so.

Actions outside of formal board structures can help. The UK has supported portfolio guarantees and securitisation initiatives at the World Bank and regional development banks specifically targeting increased climate finance.<sup>31</sup> Further interventions – either working alone or with like-minded donors – can safeguard an increase in climate lending at no or very little cost to the exchequer. Further exploration of guarantees, resource support for originate to distribute models and hybrid capital injections could all play an outsized role in the ICF4 period, offering a scalable model for mobilising more private finance into upper middle-income countries which can enable a focussing of core MDB resources to poorer countries. We return to this in subsequent sections.

<sup>31</sup> Beyond FCDO's development guarantees, covered in later sections, this includes ICF support for FC's [Emerging Market Securitisation Programme](#) and IDB's [Scaling4Impact](#).

Combined with the UK's large and active financial sector, the UK's private sector portfolio is also well-positioned to overcome challenges which have plagued the ability of blended finance to reach scale.<sup>32</sup> Good blended finance is determined by its ecosystem, not just programme selection. Its primary challenges are standardisation, coherence and regulatory environments. Resolving the former requires a purposeful effort across donors, which the UK could spearhead by requiring its delivery vehicles to develop more common approaches; in the interim investing in those initiatives which have demonstrated success and fill a clear niche in the landscape (such as Mobilist and PIDG) rather than proliferating new funds.

Reaching full impact will depend on definitive policy action to tackle barriers holding back blended finance, including via the response to the UK's EMDE Investor Taskforce. The UK's broad range of financial policy and regulatory levers for mobilising private finance are the most notable omission from the ICF Strategy. The UK should also place stronger requirements on delivery partners to report on how and why they are using subsidy and on its impact, which can better inform subsequent spending decisions based on performance rather than conjecture. The focus should be on market creation rather than direct mobilisation, which has not increased over time across climate finance donors and a narrow focus on which risks sacrificing additionality. This should include a purposeful differentiation of instruments used – taking on more junior tranches in investments, greater use of patient equity (including through BII and via multilateral delivery channels) and greater use of risk-bearing instruments such as guarantees – over six times more effective at direct mobilisation than loans.<sup>33</sup>

Finally, increasing private finance mobilisation for adaptation and in the most vulnerable contexts remains a critical challenge. The UK has levers to capitalise on here – through instruments such as PIDG, which delivers 79 percent of projects in LICs or FCAS;<sup>34</sup> BII's high risk appetite and willingness to explore novel approaches in frontier markets; and through instruments to spur local capital markets and local currency lending such as through FSD Africa. Closer pairing between them – so that technical assistance and policy reform lead directly to capital investment – can help further their impact. The UK should continue to promote these models, whilst also recognising and adjusting its grant-based ODA allocation to fairly reflect the contexts in which private finance is unlikely to deliver (see adaptation section).

### 2.2.2 Energy

This includes the transformation of energy supply and use, large-scale mobilisation and the creation of green jobs and growth. The CIFs and Ayrton Fund are highlighted as priority vehicles, including through support for a new 'high-leverage' modality at the CIFs. A wide range of FCDO programming

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<sup>32</sup> State of Blended Finance | Convergence.

<sup>33</sup> Landscape of Guarantees for Climate Finance in EMDEs - CPI.

<sup>34</sup> PIDG Annual Review.

targeting decarbonisation, clean energy access and green industry (including dedicated regional programmes in Asia and Africa, and FCDO development guarantees in key regions also receiving ICF) is not referenced, and decisions will be needed on whether to extend these facilities or deliver through a combination of BII and multilaterals. ICAI's most recent review of UK low carbon spending<sup>35</sup> noted generally effective UK spending on energy, whilst also highlighting the need for clearer prioritisation and fuller cross-Whitehall co-ordination.

With evolving technology costs and challenges, attention needs to be paid to the nature of UK support for specific segments of the energy market. An evidence review<sup>36</sup> commissioned by DESNZ prior to ICF4 highlighted high investment needs for renewables investment in L/MICs, but said little about the relative need for concessional support. This is highly material to the prioritisation of support for the energy transition, which faces the highest investment needs but also offers a strong return profile. Nuance must be applied in translating broad investment needs into concessional support allocation. Renewables reflect the cheapest electricity choice in over 90 percent of new electricity projects,<sup>37</sup> but wind and solar continue to receive 80 percent of public finance for the energy transition. To this end, design of the CIF's pending mobilisation facility will be critical – in line with the blended finance principles outlined in the above section – so that it is taking legitimate risk and junior positions in interventions rather than chasing mobilisation figures above additionality and impact.

Barriers to renewables investment largely relate to political economy, planning, grid readiness or broad cost of capital considerations which impact total investment into emerging markets and disproportionately impact capital-intensive low carbon investment. Using scarce concessional finance is not a sustainable solution to these challenges in better off countries. Other instruments – targeted technical assistance (to either build local institutional capacity or support technical work in grids), non-concessional MDB lending (still at lower rates than commercial finance) and broad macroeconomic de-risking measures to lower capital costs – can help drive investment in renewables, especially if paired with financial reform to increase scale.

This would allow dedicated concessional finance for energy to increase its focus on deeper decarbonisation in harder-to-abate sectors (such as industry and heat) and system enablers (such as technical support for grid upgrades) which remain underfunded in relative rather than gross terms; or to work in lower-income contexts which are struggling to attract energy investment on commercial terms, thereby improving clean energy access. A priority is support for grid upgrades during uncertain energy transitions, where high private investment costs can be overcome through an upscaling of MDB finance at **much lower rates**. Energy investments in middle-income countries are also most likely to benefit from the UK's non-ODA portfolio, detailed in subsequent sections. A whole-of-ICF approach to support the UK's Global Clean Power Alliance could provide a

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35 [International Climate Finance: UK aid for low-carbon development - Independent Commission for Aid Impact](#).

36 [BEIS+ICF+Mitigation+Options+\(Nov-20\)+--+Synthesis+Report.pdf](#).

37 [91% of New Renewable Projects Now Cheaper Than Fossil Fuels Alternatives](#).

fulcrum for this, so that support is more integrated within deep energy planning processes and not diffused amongst a wide range of funds.

### 2.2.3 Adaptation

Adaptation is inherently broad, and accordingly the UK's approach covers a wide span of support for adaptive investment. A heightened visibility of agriculture and food systems is welcome given the need and the potential to scale blended finance models even in poorer countries, though UK agriculture programming has also been highlighted by previous ICAI reviews as requiring greater coherence in delivery.<sup>38</sup> Likewise, whilst not a silver bullet, investment in pre-arranged finance (including insurance) and preventative measures such as early warning systems provide cost-effective means of protecting large numbers of people and are welcome priorities. Specific interventions in health are a notable absence from programming presented in the strategy, given the sector's high score in assessments of high-value interventions and the UK's level of technical expertise.

With adaptation much more dispersed, key decisions facing the upcoming ICF period should revolve around prioritisation, impact, coordination and allocation. Notwithstanding concerns raised by the UK over the distortionary impact of sub-targets, the need to increase grant-based resources for adaptation to the most vulnerable calls for one. The UK's adaptation finance fell to 40 percent of its portfolio in 2023.<sup>39</sup> To reverse this, we suggest an ICF ODA adaptation target well in excess of 50 percent and moving towards 70 percent, which could apply to only the bilateral portfolio to allow greater control (and including the £300m likely spent on humanitarian response), with a commitment that the vast majority of this is spent in LDCs, SIDS and FCAS (who are unlikely to benefit significantly from non-ODA). This would substantiate the non-quantified commitment in the ICF Strategy to target the most vulnerable countries and communities, who, despite similar past qualitative assurances and a global aim to triple adaptation finance by 2035, are seeing drastic reductions in international support.

Adaptation finance done well must be purposefully planned, rather than retrospective 'tagging' of projects as adaptation because they happen to qualify. To enable this, two approaches could be followed. Firstly, the UK could work with a small number of vulnerable countries to support national adaptation platforms, with programmatic support in line with national priorities. Secondly, the UK could seek to evolve its metrics for monitoring adaptation impact to reflect specific adaptation goals, lending from sector-specific adaptation monitoring approach used by the MDBs. The UK's commitment to begin publication of pre-arranged finance as part of its overall crisis finance spending – critical for more rapid response in crises – is a welcome step towards accountability in this regard. Setting proactive impact goals to programme towards can build a strategic orientation

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<sup>38</sup> UK aid to agriculture in a time of climate change - Independent Commission for Aid Impact.

<sup>39</sup> <https://researchbriefings.files.parliament.uk/documents/CBP-9999/CBP-9999.pdf>.

into the UK's adaptation portfolio whilst avoiding the risk that climate finance becomes an *ex-post* accounting exercise. This could intentionally build coherence with BII's [efforts](#) to develop private sector metrics for adaptation impact.

There is also an opportunity for more targeted transfer of adaptation technology, building on the model of the government's strategic partnership with the Met Office. Whilst adaptation is context-specific, there are often common technology challenges which can offer low cost-solutions across different contexts (such as in health, climate-resistant seeds, cooling and early warning systems) but where a series of market failures impede development. We note that an evolution of the Ayrton Fund to support the development of such technologies would be welcome, offering both a pathway to for adaptation technology diffusion and responding to the most pressing and immediate needs of the most vulnerable countries.

### 2.2.4 Nature

The UK's nature portfolio is divided across FCDO, DESNZ and Defra, with FCDO and DESNZ leading interventions focussed on forestry and Defra leading programming at the intersection of climate and biodiversity. Little detail is given in the ICF Strategy on delivery mechanisms beyond the UK's contribution to the Global Environment Facility and a second phase of Partnerships 4 Forests. Done well, both forests and other nature-based solutions (such as mangrove protection in coastal regions) score highly in independent assessments of cost-effectiveness.<sup>40</sup>

Avoided deforestation remains amongst the most cost-effective means of mitigating climate change. To this end, £400m is anticipated to be allocated to the [Tropical Forests Forever Facility](#), now expected to be in the form of a loan contribution to alleviate domestic spending pressures. Depending on the exact structure of the contribution, this could alter the amount that scores as ODA, which without re-allocation to other ICF programmes would bring into question whether the UK will meet its full £6bn ODA ICF target. The TFFF offers a long-sought-after solution to support standing forests that struggle to demonstrate the additionality needed for carbon credits. Whether the support it offers will be sufficient to incentivise forest protection will depend heavily on how it is used, whilst its continued ability to generate revenue to provide this support will depend on its investment portfolio performance. The allocation of TFFF funds to countries is unclear at this stage and will include a mix of forest countries across income brackets, with a reasonably high proportion likely to go to major middle-income forest countries such as Brazil and Indonesia.

If the UK's contribution does not qualify as ODA, the TFFF will offer a further contribution to the UK's non-ODA target and additional ODA measures will be needed to meet the £6bn goal. Beyond the TFFF, now that the Paris Agreement's Article 6 carbon trading mechanism (as well as CORSIA, the counterpart for airlines) is operational, the case for continued use of ODA to generate carbon credits

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40 [Rapid-Review-Effectiveness-of-climate-change-adaptation-interventions-in-low-and-middle-income-cou.pdf](#).

(underlying much of the UK's existing forest portfolio) warrants scrutiny. Over time, the case for public funding will become greater where carbon markets won't deliver (including standing tropical forests) or where public good market infrastructure can help enable greater integrity, especially in countries with more limited capacity (such as in the Congo basin).

A key challenge across the nature portfolio will remain how to maximise value and co-ordination between Defra's technical expertise and FCDO's wider development strategy and diplomatic networks. A 2023 ICAI review of the Blue Planet Fund<sup>41</sup> highlighted this amongst a range of other gaps relating to governance and oversight, leading to a series of improvements in management. Where not already the case, these lessons should be carried forward and built into other funds across Defra's portfolio, to ensure sufficient impact in highly underserved but theoretically cost-effective action areas. This is especially important where programme impact – for instance in research programmes such as Defra's flagship Global Centre on Biodiversity for Climate (GCBC) – are highly predicated on the uptake and use of knowledge products.

## 2.3 Beyond the themes

The strategy also announces the development of a new Accelerating Climate Transitions Community of Expertise – seemingly a replacement of UK PACT, the UK's flagship technical assistance offering. This provides an opportunity to focus more narrowly on areas of legitimate UK technical expertise and where UK bilateral support can therefore be truly additive – in areas such as grids, offshore wind, financial and legal services, and adaptation technologies. In the context of cuts to country programmes, especially in Africa, there is also an opportunity for PACT to increase its focus on LMICs with growing support needs.

Pairing technical assistance with follow-on capital investment is key to ensuring it is spent most effectively and was highlighted in UK PACT's most recent annual review as a core priority for enhancing its effectiveness.<sup>42</sup> Here, a facilitative framework for enhanced engagement between the ACT CoE and programmes channelling UK capital investment (whether BII/UKF, UK supported trust funds or MCFs/MDBs) can offer a double-win – better informing judgement of whether CoE sponsored knowledge products are likely to lead to follow-on investment and therefore truly offer transformative impact, and better exposing capital investment vehicles to in-country efforts to build pipelines. This follows the model used by UK PACT in its early years, where UK support for IDB's Sustainable Infrastructure Programme offered a clear route to concessional investment in PACT countries.<sup>43</sup>

More widely, technical assistance in support of country preparedness and development of national plans is a clear area where efficiency gain across the climate finance system can improve

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<sup>41</sup> Government progress update: ICAI review of the Blue Planet Fund - Independent Commission for Aid Impact.

<sup>42</sup> S30149519.odt.

<sup>43</sup> ICF Technical Assistance Pilot Programme - Small Business Case.docx.

effectiveness and reduce complexity for recipients. Initiatives the UK supports that are at least partly active in this space include the GCF (through its readiness and preparatory support), CIF's Transformational Investment Plans, UK PACT, the NDC Partnership, and Transforming Access to Climate Finance. This is on top of other national planning initiatives that the UK doesn't currently fund, such as the World Bank's Climate Support Facility and UNEP's Integrated National Financing Framework. Duplication in planning is clearly an inefficient use of scarce funding, and the UK could play an active role in ensuring delivery partners are working coherently to implement singular, locally driven plans as it enters ICF4. This should include consideration of greater pooling of preparedness funds under a multilateral entity such as the GCF, with other related support initiatives focussed on pipeline building and implementation of ensuing plans.

### 3. Quantifying non-ODA ICF

A line-by-line breakdown of the UK's planned £6.7bn in non-ODA ICF has not been provided, but it is intended to include finance from BII, UK Export Finance, guarantees provided to MDBs and the UK's support for the IMF's Resilience and Sustainability Facility. We provide a breakdown of what we know about these commitments below. Whilst the UK's £6.7bn commitment has brought non-ODA levers into the spotlight, these are existing tools that the UK has been using for a number of years to deliver climate finance, with most commitments underpinning the target made under the previous Conservative government, some dating back as far as the UK's COP26 Presidency.

#### 3.1 British International Investment

BII is the UK's private finance-focussed DFI, with FCDO as its sole shareholder. BII's approach to climate over the coming ICF period is outlined in their recently updated [strategy](#),<sup>44</sup> which includes an increase in their climate finance target from 30 percent to 40 percent for the £7–8bn in commitments they intend to make over the next five years. Spread evenly, this would equate to £560–£640m per year in climate finance. In order to avoid double counting, the UK 'nets off' ICF inflows to BII, meaning that around 40 percent of the planned £143m per year of capital injections over 2026–27–2028/29 to BII will be deducted. This builds on a significant capital injection of £1.1bn in 2025, suggesting this was done in the knowledge of lower capital availability in future years and which we assume has been netted off ICF in 2025/26. Once this deduction is applied, we estimate that BII meeting its target would contribute **£1.51bn–£1.75bn (£500m–£580m per year) of the UK's £6.7bn target**.<sup>45</sup> BII do not set a separate adaptation finance target, nor report adaptation finance separately in their annual report.

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<sup>44</sup> [Strategy 2026–31 - British International Investment](#).

<sup>45</sup> If FCDO's capital injection for BII, made in 2025, was not netted off ICF 2025/26 in-year, we estimate that the contribution in ICF4 would fall by £260–£310m.

Whilst BII's target has increased, BII have in fact surpassed 40 percent in climate finance for three of the last four years, including 45 percent in 2025. This means that meeting their new target would reflect a reduction in BII climate finance, in both absolute and percentage terms. This is despite the launch of British Climate Partners (BCP), a dedicated programme of £1.1bn over five years (around £660m over ICF4) targeting green investment in coal-heavy geographies in India and Southeast Asia. BCP investments will target additional returns from investment (8 percent lifetime returns of projects, versus 4.5 percent for the wider BII portfolio, but still below typical market rates in these countries<sup>46</sup>).

BCP itself is a welcome addition to BII's portfolio. It reflects a differentiated UK offer to emerging markets, has strong aspirations to mobilise private finance, and is well-calibrated to focus on countries that will be most critical for emissions reductions in the coming years. In addition to its direct benefits, profits from BCP will provide revenue to support BII in undertaking riskier lending in low income and vulnerable countries, helping to fund their aim of increasing commitments to LDCs to 25 percent over the coming period. This is analogous to models used in MDBs such as the World Bank Group to cycle higher returns from IBRD countries into concessional lending via IDA. BII has also committed to work with a small number of LDCs (Nepal, Sierra Leone and Zambia) to combine its investment with policy engagement and technical assistance.

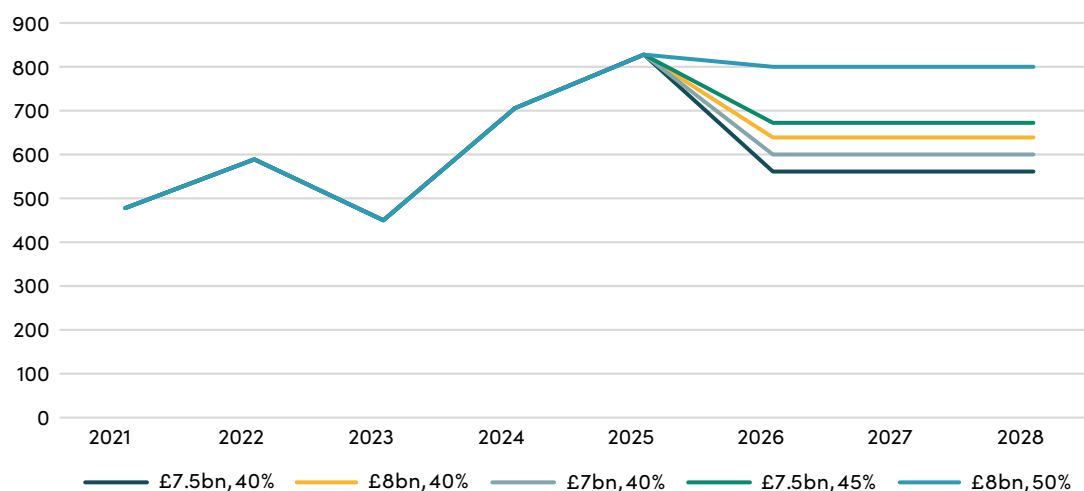
Whether BCP's allocation of £1.1bn in budget represents a progression is questionable. In 2025, total BII commitments to countries named as priorities for BCP (India, Indonesia, Vietnam and the Philippines) totalled £580m. Of this, £424m was in sectors highly relevant to coal phase out (renewables, electric vehicles and grids). Continuation of 2025 commitment levels would lead to commitments in excess of £2bn over the coming five-year period – almost double the £1.1bn allocated to BCP. This strikes a cautionary note given the criticality of coal phase out in the region and brings into question the presentation of BCP as a priority new focus for BII.

Whilst BII's increased commitment, differentiated approach in high-emitting emerging markets and increased target for LDCs are welcome, it is difficult to see their new climate target as challenging. Even meeting 50 percent climate lending at the upper range of their overall commitment target (£8bn) for the forthcoming strategy period would represent a reduction from commitment levels in 2025, which reflected record climate finance levels in a year in which overall lending was also high. If BII were to achieve 50 percent climate finance at the upper end of their overall commitment range (£8bn), this would equate to an additional £480m over the coming ICF period. We turn to BII's impact and reporting in the following section.

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46 BCP Investment Policy Framework.

**FIGURE 5. BII future climate finance commitment scenarios against historic performance (£m)**



### 3.2 FCDO development guarantees

The second component comprising the UK's £6.7bn target is FCDO's development guarantee portfolio. This sees the FCDO provide assurance to the MDBs that they will be reimbursed according to the repayment schedule from the ODA budget in the unlikely event of non-payment by clients, allowing the MDBs to free up headroom for additional lending. These guarantees do not entail any direct expenditure by the Government, appearing instead as a contingent liability on the government balance sheet in accordance with a valuation of their risk. Guarantees only actually mobilise climate finance (and are only reported to do so) if they are allocated to projects, with the relevant MDB including relevant outflows in their reporting to the OECD.

This portfolio includes:

- Room2Run, a portfolio guarantee facility at the African Development Bank announced in 2021. The UK has provided \$1.6bn in cover for additional AfDB climate lending in middle-income countries across Africa, with a further \$400m from City of London insurers leading to a total increase in lending to \$2bn, targeting a 50:50 split between adaptation and mitigation. As Room2Run enables a general increase in AfDB lending it is not possible to track its exact allocation to date, hampered further by the absence of annual updates through either the UK's DevTracker or in AfDB's latest annual reporting. Given high demand for AfDB climate finance and its original payment schedule, we assume it has largely been allocated and will not contribute significantly to ICF4. The lack of transparency around Room2Run allocations makes it difficult to verify this or to evaluate impact, but on scale it is a strong example of the UK balance sheet being used well – it would have previously enabled additional lending at approximately £300m per year over a five-year period, though exact allocations to projects may have varied year on year.

- The ADB's Innovative Finance Facility for Climate in Asia and the Pacific (IFCAP), a multi-donor facility to which the UK provided a guarantee of up to \$280m (£210m) in 2024. Latest updates from FCDO suggest that IFCAP – whilst early in implementation – should mobilise a total of just over \$10bn over five years, with a combination of its risk-sharing arrangement, multi-donor modality and the ADB's aim to mobilise £4–5 for every £1 invested meaning the facility will mobilise £1 in ADB finance for every 3p of UK guarantee cover. We estimate that this equates to £279m per year in UK climate finance over ICF4, though impact will depend on how the money is spent and additionality will depend on ADB continuing to increase non-IFCAP climate finance amidst contested board politics. Given IFCAP was a year late in commencing lending, there may also be some risk of delay to allocating funds to programmes, which would mean finance slipping beyond the ICF4 period.
- Guarantees to increase lending capacity for implementation of Just Energy Transition Partnerships in Indonesia (up to £750m, via the World Bank) and South Africa (up to £750m, via the AfDB). These guarantees were agreed in 2022, but until recently had not been utilised, in part due to slower than expected implementation of JETPs. The South Africa guarantee has recently enabled an investment decision on a \$400m (£300m) municipal utilities project,<sup>47</sup> reflecting the first allocation under it. The Indonesia guarantee is very unlikely to be allocated to projects soon, due to both stagnation of the JET-P and lack of demand for World Bank lending from the Indonesian government on the terms offered.<sup>48</sup> Both guarantees – especially Indonesia – pose delivery risks for the £6.7bn, with £1.15bn still unallocated to projects.

Taken together with the assumption that Room2Run is fully allocated and remaining guarantees are allocated to schedule, we estimate that combined guarantees are scheduled to comprise £2.3bn of the £6.7bn target, reflecting an increase of 50 percent on the role they played mobilising finance annually over ICF3 (this also factors in lending under a previous India World Bank Green Guarantee, which the UK supported in 2021).

But action will be needed to ensure they are actually taken up, notably in Indonesia, with a significant hole emerging in the £6.7bn target if they aren't. MDB guarantees are an extremely cost-effective means of boosting climate finance and allowing higher levels of low-cost MDB lending, especially in emerging markets where there is a groundswell of evidence that investor risk perceptions are higher than actual risk.<sup>49</sup> But they can only be useful if they are used.

In the first instance, the UK should fully interrogate the status of the guarantees and consider any amendments to terms or other supporting UK activities that could increase the likelihood of delivery. In South Africa, for instance, AfDB has proposed a shift towards policy loans predicated on reforms,

<sup>47</sup> UK extends \$1bn climate-pact guarantee to South Africa - Moneyweb.

<sup>48</sup> UK aid for energy transition - Independent Commission for Aid Impact.

<sup>49</sup> Reassessing Risk in Emerging Market Lending.

as opposed to strict adherence with the JETP investment plan.<sup>50</sup> Beyond this, consideration should be given to whether – given FCDO’s finite ability to absorb risk into its diminished ODA budget, including through a significant increase in the use of the same instruments to enable increased lending to Ukraine – guarantees which are currently unlikely to be taken up could be amended or re-allocated to countries more likely to make use of them.

Looking beyond the current guarantees, there are a range of emission-intensive or vulnerable countries and regions implementing climate plans, but where MDB capacity may in future become limited. For instance:

- Despite its success in mobilising finance over the last five years and being widely heralded as a success story in shareholder collaboration and balance sheet optimisation, there are no current plans to extend Room2Run Sovereign. Engineering a similar multi-donor agreement as IFCAP in Africa could see the UK unlock billions in further lending with very little national exposure.
- As our colleagues have written, increased demand for concessional finance at IDA, and the need for this to be routed to the poorest countries as donor funding declines, calls for an expansion of IBRD activity in lower middle-income countries. This will require a re-calibration within IBRD (which is not generally capital constrained), which could be accelerated by portfolio guarantees.<sup>51</sup>
- EBRD has increased concentration of exposures in Egypt and Türkiye<sup>52</sup> (both implementing climate-focussed country platforms) – whilst the bank doesn’t set strict limits for lending, the level and nature of activities in specific countries will come under increasing scrutiny as investment risk becomes concentrated.

In a fiscally constrained environment, further guarantee issuance is likely the most cost-effective means of using the UK balance sheet to further bolster international climate finance – even more so if increased evidence on the exceedingly low default rates on MDB loans is factored into scoring of risk in the UK’s contingent liabilities. The ability to specifically target guarantee issuance at dedicated thematic focus areas also offers a means of assuring a continued focus on climate financing in the context of institution-wide commitments being at risk.

### 3.3 IMF Resilience and Sustainability Facility

The third component of the UK’s £6.7bn target is the IMF’s Resilience and Sustainability Facility (RSF). This is funded through allocations of Special Drawing Rights through the Resilience and Sustainability Trust (RST), which provides support to low-income and vulnerable countries to

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<sup>50</sup> Annual Review - JETP Support, South Africa - [S30152320.odt](#).

<sup>51</sup> [A Better Outcome for the Poorest: Finding the Right IDA-IBRD Balance](#).

<sup>52</sup> EBRD.

undertake macroeconomic reforms to manage climate risk. The RSF was originally envisaged to also provide support for pandemic preparedness, though outflows to date have been solely focussed on reforms relating to climate. The UK provided SDR 2.5 billion (£2.9bn) of the RST's SDR 27 billion (£28.6bn) in total commitments in 2022, meaning it is attributable for around 7 percent of lending through the facility.

The RSF has faced challenges sustaining demand. These are largely driven by only countries with an active IMF programme being able to access the facility, as well as low access limits set at SDR1bn or 150 percent of the country's IMF's quota. The former excludes countries with strong macroeconomic fundamentals but prone to climate shocks – like small states hit by natural disasters; the latter particularly impacts the smallest countries (who have correspondingly small IMF quotas). Limiting access would make sense if the facility was saturated with demand, but not when funds are lying dormant. Our colleagues have proposed concrete, achievable [recommendations for addressing these limitations](#), which could boost demand with limited impact on RSF liquidity.

This lack of demand has resulted in the IMF downgrading its projections for future lending through the facility.<sup>53</sup> The resulting outlook for UK contributions over ICF4 is outlined in the table below. If lending is delivered to schedule, this would suggest a UK 'share' of **£496m over the coming ICF period** (this would increase to £666m if all funds were allocated, as had previously been envisaged, or decrease if programme take up remains slow or in the feasible scenario that the facility broadens its focus beyond climate). The first programme this year was announced in June, a relatively small 116.7 SDR (£123.7m) programme in Sierra Leone, meaning a significant uptake in approvals is needed for the RSF to stay on track even according to its revised projections.

**TABLE 1. Historical and projected lending from the IMF RSF**

| Year           | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|----------------|------|------|------|------|------|------|------|
| No. Programmes | 3    | 13   | 5    | 5    | 5    | 7    | 6    |
| Total (XDRm)   | 900  | 3800 | 2100 | 3400 | 1700 | 1700 | 3000 |
| UK Share (£m)  | 63   | 266  | 147  | 238  | 119  | 119  | 210  |

Source: 2026 Update of Resource Adequacy of the Poverty Reduction and Growth Trust, Resilience and Sustainability Trust, and Debt Relief Trusts in: Policy Papers Volume 2026 Issue 004 (2026).

A comprehensive review of the RST is also being undertaken this year. This offers an opportunity to enhance the facility's impact, accessibility, run rate and allocation to the most vulnerable countries (LDCs have received 27 percent of RSF support to date, and LICs 17 percent). Whilst the UK share may seem small in the context of its own target, the overall amount remaining in the RSF and not yet allocated totals SDR 9bn (£9.6bn) – 1.5 times the total amount of ICF ODA over the same period.

53 2026 Update of Resource Adequacy of the Poverty Reduction and Growth Trust, Resilience and Sustainability Trust, and Debt Relief Trusts in: Policy Papers Volume 2026 Issue 004 (2026).

The UK can play a key catalytic role in re-invigorating the RSF through the review, but doing so will require purposeful coalition-building amongst contributors and beneficiaries.

This will also need to contend with a number of calls for the RSF to diversify its focus away from climate, including to more broadly focus on resilient growth in low-income countries and to reinvigorate its originally intended dual-focus on health.<sup>54</sup> These calls are likely to grow under US scrutiny. Whilst there is a strong case for broadening the RSF's scope and it would likely increase overall demand from the facility, it would have the effect of reducing the RSF's contribution to the UK's target, requiring additional measures to over-achieve elsewhere.

### 3.4 UKEF

UKEF is the UK's export credit agency (ECA). It provides guarantees, insurance and loans to UK exporters to support risks associated with overseas contracts. Of all of the UK's non-ODA levers, UKEF is the only channel not primarily focussed on delivering development outcomes, with its primary aim being to enhance UK competitiveness and boost UK gross value added (GVA) through a demand-driven model.

UKEF is, however, able to confer climate and development benefits in middle-income countries if it mobilises finance to commercially viable projects that otherwise would not proceed, by lowering cost of capital, and by fostering broader partnerships where there is a match between UK product and service expertise and development needs. The development benefits of this are largely in investment-grade middle-income countries, which are theoretically able to attract international investment but face high investor risk perceptions and resultant financing costs.

Whilst UKEF's historic portfolio is dominated by incumbent UK industries (such as aerospace, defence and oil & gas), it has in recent years shown a greater ambition to expand into frontier markets and to green its portfolio. It has been an early adopter of the Task Force on Climate Related Disclosures, helped establish the Net Zero Export Credit Alliance and piloted the establishment of Climate Resilient Debt Clauses to provide liquidity to borrowing countries hit by natural disasters.

Most recently, it has set out through its five-year Sustainability Strategy two separate, but intertwined targets – to provide £10bn to UK firms providing green exports, and to mobilise £10bn into L/MICs (around 20 percent of UKEF activities have historically been in ODA eligible countries). Both of these targets were set prior to a decision by Parliament to increase UKEF's lending headroom, doubling its statutory limit to £160bn (£50bn of which is allocated for defence), suggesting there is capacity to go further if there is demand.

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54 Reviving the IMF's Resilience and Sustainability Facility: Challenges and Opportunities Ahead | Center For Global Development.

UKEF do not report detailed information on climate finance at a project level, and only report separately on aggregate progress to their two relevant targets.<sup>55</sup> Two years into this commitment, UKEF provision for clean growth was at £2.8bn (£2.3bn in 2024/25 and £0.5bn in 2025/26), including domestic investment and a large offshore wind portfolio in Taiwan, whilst lending for L/MICs was at £5.7bn, with growth in 2025 largely driven by expanded exposures in Ukraine in 2025. This suggests that UKEF is just off track to meet its clean growth target, and on track to meet its L/MIC target.

Given the lack of public information on UKEF reporting, we undertook a manual scoring exercise of UKEF's portfolio, categorising their activities in EMDEs with a series of reasonable assumptions about likely climate scoring. The results of this are detailed below (with high and low scenarios according to more or less liberal scoring approaches), with detailed methodology available in the annex. For 2025, UKEF have for the first time reported aggregate finance mobilised for SDGs including climate action (£193m), and we have taken this as a proxy.

We include both the 4-year average that would have been known at the time the ICF4 target was set, and a 5-year average which shows lending over the duration of ICF3. It is important to note that these figures are UKEF's maximum liability in lending. This is significantly less than the actual finance mobilised (as all other ICF instruments are reported) as the UK also factors in its exposure across the lifetime of projects, including accruing financing costs.

**TABLE 2. Estimated UKEF climate finance exposure issuance for climate in L/MICs**

| £m   | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 4 Yr Ave | 5 Yr Ave |
|------|---------|---------|---------|---------|---------|----------|----------|
| Low  | 747     | 202     | 383     | 453     | 193     | 446      | 395      |
| High | 1112    | 354     | 1061    | 372     | 193     | 834      | 706      |
| Mid  | 1477    | 507     | 722     | 290     | 193     | 640      | 551      |

Source: UKEF Businesses Supported tables 2021/22–2024/25; UKEF Impact Report (2025/26).

ECA lending patterns are inherently volatile, with individual large infrastructure projects driving major annual differences (with, for instance, a single rail electrification project in Türkiye of over £1bn in 2021). For this reason, and in the absence of a stated target, rather than forecast UKEF spending levels over 2024 we have estimated the gap that remains in the £6.7bn once other instruments have been accounted for.

This suggests – absent additional interventions and assuming all other finance is successfully allocated – that UKEF will need to mobilise £2.25bn of climate finance for L/MICs over the next three years. This would need a drastic reversal in recent decline and return to levels seen in the early 2020s, and a moderate increase in annual lending of our 'mid-range' estimate of lending over the last five years. The last two years have seen a notable decline in climate finance mobilised to L/MICs,

<sup>55</sup> UK Export Finance – Impact Report 2025/26.

despite a significant overall increase in UKEF activity (with climate finance mobilised to L/MICs under 2 percent of UKEF finance in 2025/26, down from an estimated >10 percent in 2020/21).

Meeting or exceeding a £2.25bn contribution is certainly possible within UKEF's existing targets. A return to 2021 levels over the coming three years would see well over £3bn in UKEF issuance, before taking into account UKEF's recently increased balance sheet. But it will require an increase in demand for UKEF finance from clients – both sovereign and private sector. The high growth potential of the UK's clean economy and high demand for clean and resilient finance in low- and middle-income countries suggest that this is possible, but it will take targeted action to reverse recent trends.

Specifically, it is likely to require a combination of:

- A small number of large-scale infrastructure projects – likely to be in investment-grade UMICs. Examples from UKEF's recent portfolio have included solar and rail electrification in Türkiye in excess of £1bn, as well as cover provided to over £1bn for offshore wind projects in Taiwan (a high-income country not included in our figures) in 2024/25 alone.
- A pipeline of smaller projects in lower-middle-income countries. There are encouraging signs of intent, with UKEF increasing its number of country heads in Africa and a recent £65m agroforestry project in Cameroon.<sup>56</sup> Greater co-working with other trade and ICF levers – both ODA and non-ODA – could help expose UKEF to further pipelines of projects capable of delivering development impact but in need of at-scale private finance.

Building the conditions to deliver will require greater investment in more arduous pipeline development than has been the case in UKEF's historic portfolio, ideally supplemented by the UK's wider trade policy and by the efforts of other government departments with an interest in increasing climate finance mobilisation. This is especially the case in lower-middle-income countries, which represent a small proportion of UKEF finance. Clarity should also be provided on whether the UK intends to include the supply of nuclear fuel to Ukraine, which was the single largest L/MIC recipient of UKEF finance in 2025, as part of its ICF pledge.

Further, UKEF's impact on development outcomes will depend significantly on project quality and the delivery of local benefit, whilst its impact on climate will depend on the degree to which it is allocated to countries with high climate vulnerability and with an aim of reducing emissions. Whilst UKEF has established an overall development finance target, it has little institutional incentive to deliver either development or climate impact beyond headline targets and portfolio emissions and risk management.

There is a window of opportunity to strengthen UKEF's focus on climate and development outcomes, with the previous Secretary of State for Business and Trade intending to legislate to broaden UKEF's

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<sup>56</sup> £60 million land improvement deal announced at UK's West & Central Francophone Africa Trade Forum - GOV.UK.

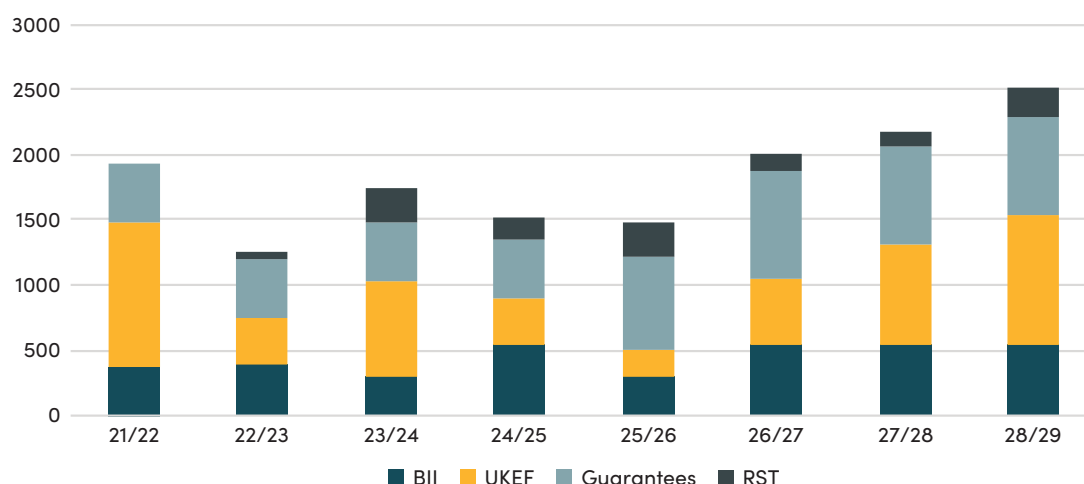
mandate when parliamentary time allows. This could be used to provide a statutory basis and accountability to UKEF's policy intent to contribute to climate and development goals.

We turn to potential synergies with other forms of ICF in the following section, alongside the importance of enhanced transparency and impact monitoring.

### 3.5 Combining non-ODA levers

If all other levers are delivered and assuming UKEF meets the remainder, our estimate of the resulting breakdown of ICF non-ODA underpinning the UK's commitment – alongside historic performance – is set out in the graph below.<sup>57</sup> We estimate that the £6.7bn commitment, if delivered, would reflect around a 40 percent increase in annual non-ODA climate finance over ICF4 (estimated at just over £2.2bn per year) compared to ICF3 (estimated at just under £1.6bn per year). Owing to a lack of transparency around historic non-ODA ICF compared to ICF ODA, this figure should be treated cautiously, with our low and high scenarios of historical UKEF lending alone suggesting a wide range of 25–60 percent compared to ICF3.

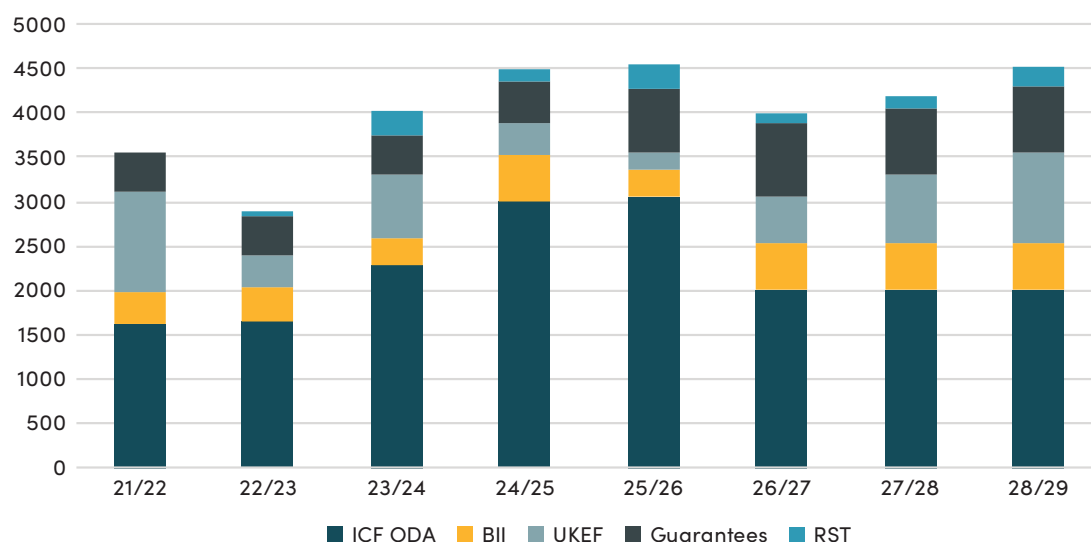
**FIGURE 6. Estimated historic and projected non-ODA ICF by source, 2021/22–2028/29 (£m)**



Combined with ICF ODA, we estimate that this would see a marginal increase in total ICF over the same period (8 percent). This is within the margin of error given the high number of uncertainties in our analysis and suggests that total ICF will remain broadly flat and could decline in real terms once inflation is taken into account. Depending on UKEF lending patterns, this could include a return of total ICF to 25/26 levels by the end of the ICF4 period.

<sup>57</sup> The UKEF contribution in this scenario is taken from the 'mid' range in the table above, which is the mean of our high and low calculations.

**FIGURE 7. Estimated total historic and projected ICF, ODA and non-ODA (£m)**



We note that this entails significant delivery risk – with guarantees yet to be allocated despite years of effort, the RSF facing difficult headwinds and UKEF finance on the decline. At least £2bn of the £6.7bn could be seen to be high risk (the WB-Indonesia guarantee, an increase in UKEF performance and future RSF lending). There are also potential upsides before accounting for any additional measures – with BII’s target highly conservative, increased RSF allocation and a bigger UKEF balance sheet combining to the potential to exceed the £6.7bn by around £2bn. But there are few plans for contingency or signs of additional action, with only the ADB’s IFCAP guarantee platform and BII’s new strategy implemented under the Labour government.

A shift to greater reliance on non-ODA will also have implications for the distribution and impact of ICF. Whilst greater risk can be encouraged in non-grant interventions (through targeted investments by BII, as well as through the MDBs), this is less likely in the absence of grant-based finance to enable the concessional investment needed for deep decarbonisation or in vulnerable contexts. This means the overall ability of the UK to enable risk-taking will be reduced. The majority of non-ODA interventions are also unlikely to reach the most vulnerable countries, with performance to date (IMF) and targets (BII) suggesting that only around 7 percent of non-ODA ICF will reach LDCs.<sup>58</sup> This reinforces the need for ODA ICF to target these countries.

We also note throughout the need for increased scrutiny of the non-ODA portfolio, the case for better-aligned monitoring of impact, and the opportunity offered to the UK of greater coherence in delivery between ODA and non-ODA measures. This is on the basis that – ODA or non-ODA – all of these instruments represent the use of scarce public funds and are now part of a public commitment

<sup>58</sup> This is derived from BII’s target for 25% of commitments to reach LDCs and IMF RSF performance to date. This does not account for any lending to LDCs from IFCAP, the multi-donor portfolio guarantee of the ADB, which is primarily targeted at MICs but may include some lending for LDCs in the region.

to international partners and should be accountable for delivering measurable impact and transparency. We turn to this in the following section.

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## 4. Implications for ICF delivery: strengthening coherence and building a portfolio approach

In setting out this broader approach to ICF, the UK has outlined an intention to provide greater coherence in delivery across its levers. Doing this well has implications for allocation, governance and co-ordination. This section looks at what achieving this would mean for how ICF is delivered, with a view to maximising impact and the synergistic role of different actors. This covers:

- How to deliver greater coherence between ICF, across ODA and non-ODA
- The importance of evidence frameworks, increased transparency and a shared emphasis on impact in agenda-setting and results monitoring
- The UK's role in supporting co-ordination amongst climate finance providers

### 4.1 Delivering coherence

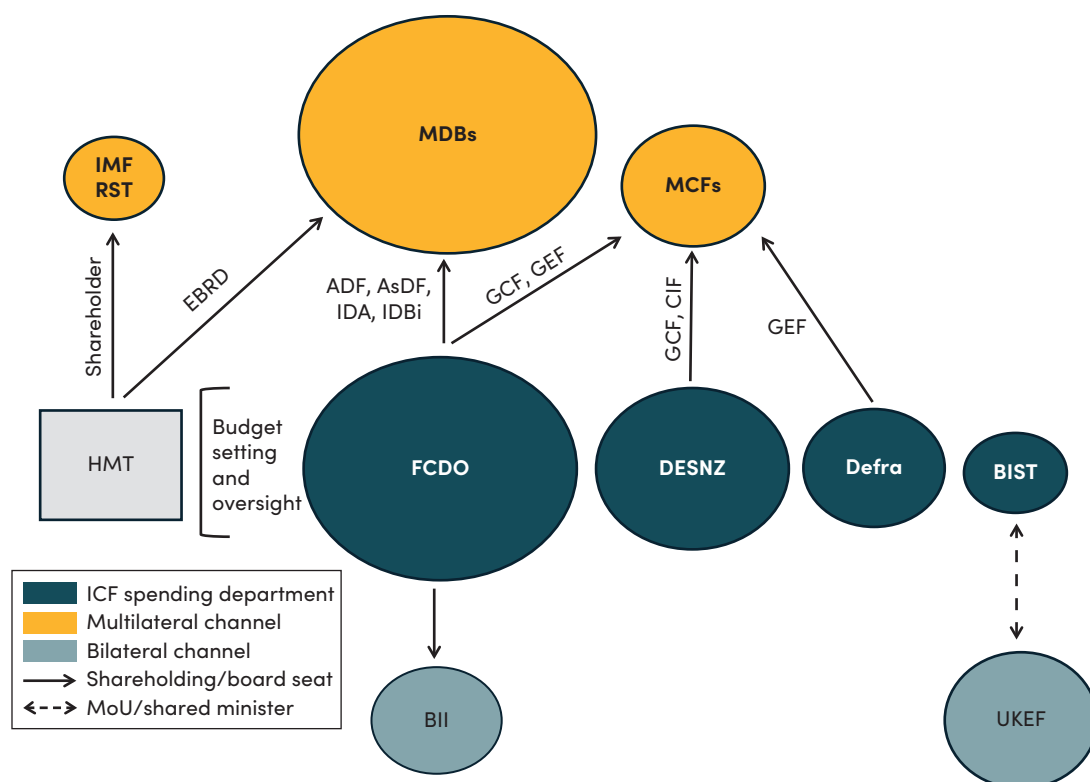
Previous ICAI reviews have consistently found the need to strengthen cross-departmental co-ordination of existing ICF levers. Ministers and officials have highlighted a spirit of co-operation approaching the forthcoming ICF period,<sup>59</sup> and there are many cases of intra- and inter-departmental activity working well at an operational level. The challenge is making this co-ordination systematic.

This is even more pressing with a wider range of actors involved. Whilst FCDO is the sole shareholder of BII and agrees its overarching five-year strategy, it is operationally independent. UKEF is overseen by the Secretary of State for Business and Trade but is, in and of itself, an independent government department. The FCDO Executive Directors for MDBs – now both a key delivery partner for ICF and the UK representatives at institutions responsible for allocation of guarantees underpinning the £6.7bn target – do not sit on the ICF's strategy board. As the UK shareholder to the IMF and EBRD, and with the addition of both to the bundle of measures intended to deliver ICF, the Treasury is for the first time an actor in ICF delivery rather than an approver and overseer of budgets. An overview of these, and the relationship between them, is shown in the diagram below.

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<sup>59</sup> Oral evidence - 30 Jun 2026.

**FIGURE 8. Overview of ICF ODA and non-ODA delivery architecture<sup>60</sup>**



This presents both a challenge and opportunity for better coordination of the UK's ICF levers. These actors can all play complementary roles but will only fully do so through co-development of strategy and information exchange, revolving around shared priorities and an understanding of country-level activities. This would also stand to benefit UK PFIs, with UKEF and BII able to take better advantage of opportunities for identification of pipelines and co-investment opportunities.

For instance, technical assistance programmes through ICF programmes can help build national preparedness and pipelines. ICF capital (whether BII, MCFs or MDBs) can provide concessional investment. ECAs can extend tenor and recruit private investment at scale, generally later in project lifecycles. If these happen sequentially in the same geography and where development needs align, each can amplify the other towards greater impact. UKEF has taken encouraging steps here, recently signing MoUs with both BII and MIGA, the World Bank's guarantee agency. Nonetheless, at a global level, collaboration between development finance actors and ECAs is very limited.<sup>61</sup>

ICF4's aim of coherence offers an opportunity for the UK to bridge this coordination gap. But doing so requires choreography – with different actors working in the same places, leveraging

<sup>60</sup> GEF includes funds administered by the GEF, such as the Global Biodiversity Framework Facility, and therefore includes Defra. MCFs without confirmed spending commitments for ICF4 are excluded.

<sup>61</sup> [Unlocking-DFI-ECA-Collaboration-for-Clean-Energy-Finance-Diagnostics-and-Pathways-to-Improvement.pdf](#).

complementary strengths and working to a shared mission. The potential for this is greatest in geographies that already align across UKEF, BII and ICF priorities. This would also respond to a call from many developing countries to provide more integrated support through country platforms. As illustrative examples, drawing only from the UK's bilateral levers:

- Tanzania has submitted an enhanced NDC aiming for 30 percent emissions reductions by 2030, receives a range of ICF funding for initiatives ranging from institutional strengthening to green manufacturing,<sup>62</sup> and has active BII programming across infrastructure and trade. UKEF has indicated a greater risk appetite for further investment, having previously invested alongside Tanzania's finance ministry in airport expansion. The UK signed a Mutual Prosperity Partnership with Tanzania in 2024, including green growth as a key pillar.
- Vietnam is a UK PACT country, a target of BII's BCP initiative, and has set a 6GW offshore wind capacity target, recently launching an Offshore Wind Accelerator Partnership with the UK. Purposefully seeking to replicate UKEF's success in Taiwan in Vietnam – with ICF technical assistance and development finance playing a catalytic role – could provide a meaningful contribution to the UK's footprint in accelerating decarbonisation in the region.

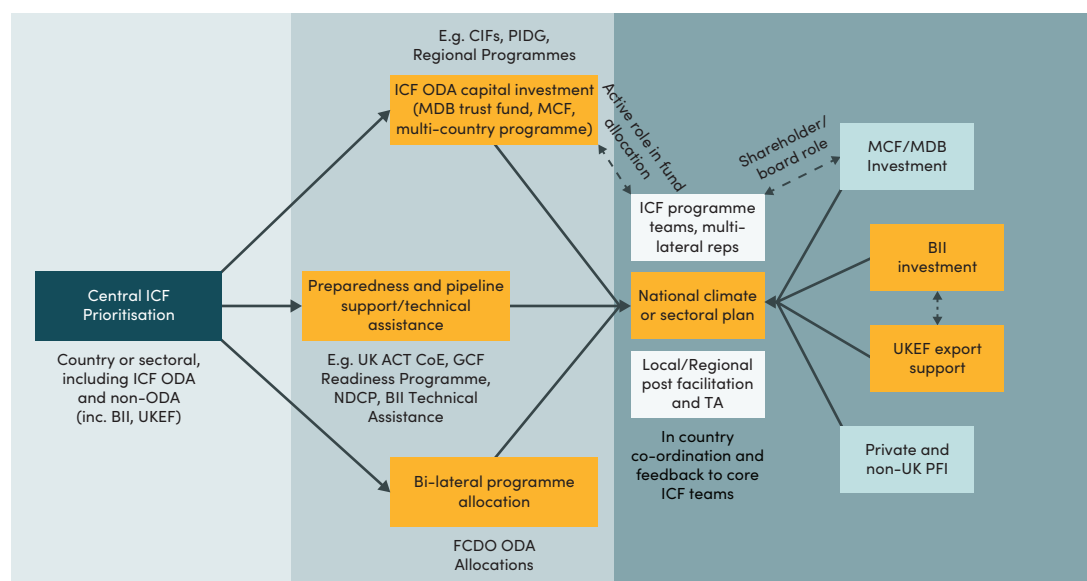
This collaboration does happen on the ground on an ad hoc basis. But it is not systematic across the UK's portfolio. Purposefully building integrated and sequenced financing strategies – with strategic decision-making in London reflected in collaboration on the ground, and also leveraging the UK's ICF support through multilateral initiatives (such as the NDC Partnership), MDB guarantees and climate funds – can help systematise existing links between the UK's technical assistance and capital investment levers.

This should not in any way be motivated by an intention to tie aid to export potential. But where international support is allocated to implementing national climate strategies, there is a clear impact benefit to building in a pathway to follow-on investment. Appointment of cross-government designated leads to support in-country co-ordination for priority countries and to incorporate the full chain of ICF capital levers (bilateral and multilateral) – whether through FCDO country offices or ACT CoE country missions – could help drive this co-ordination.

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<sup>62</sup> Manufacturing Africa - Tanzania (ICF) - IATI Datastore Search.

**FIGURE 9. Simplified schematic highlighting in-country coordination of UK delivery channels, combined with central decision-making**



Changes in governance processes to enable greater participation between ICF, UKEF, BII and MDB executive director offices could support this at a more strategic portfolio level. This could either be through incorporation in existing ICF governance, or through a revised approach to the UK's British Investment Partnerships to also incorporate non-FCDO ICF spending departments and underpinned by clear climate and development impact targets. To be effective, this must offer genuine reflexivity around prioritisation, avoiding the tendency of cross-government decision-making to simply agree to what has already been planned.

With greater reliance on ODA, LICs and FCAS are less likely to directly benefit from these measures. But the alternative financing pathways they open up should enable a reallocation of ODA towards them. For these countries, the governance challenge facing ICF4 is less about incorporation of non-ODA ICF (with the notable exception of the RSF, where the UK as the fifth largest shareholder will hold outsized influence and where FCDO's development expertise can help shape HMT input), and more about finding synergies between dispersed multi-country programmes and multilateral delivery partners in the context of major reductions in FCDO country programmes.

More broadly, effectiveness in ICF4 will rely on a clear set of priorities, a strong understanding of value and information exchange between those working across departments in parallel sectors and geographies (such as between Defra's nature portfolio and the DESNZ-FCDO International Forest Unit; or between energy programme teams in DESNZ and a wide variety of cross-Whitehall teams across the ACT CoE, climate funds, IFIs, private mobilisation, UKEF and BII).

Prioritisation can be supported by publication and distribution of the UK's updated best buys frameworks, to provide guidance on the most impactful interventions. Going further, the

development and publication of more comprehensive strategies which set out how these are to be applied across the ICF's thematic focus areas would help ICF definitively transition to a stronger portfolio-level approach which uses all the government's levers coherently. Such an approach has been recommended by ICAI in the context of UK support for the energy transition and would heighten the prospects of deeper co-ordination between ODA and non-ODA ICF.

This must also navigate the challenge of pairing central decisions on allocations, guided by an understanding of value for money at the global level, with local knowledge and country priorities. At the portfolio level, this should balance out – if budgets are allocated to the most vulnerable and highest mitigation potential places, in aggregate they should map closely to activities representing best value for money. But there must be significant room for local judgement and expertise in application.

## 4.2 Delivering on transparency and results

ICF ODA has shown a strong track record in results monitoring which is further reiterated in the latest strategy. A key outstanding limitation is the lack of publication of programme-level results, which impedes evaluation of highly variable programme level impacts and the ability to identify the most effective interventions.

For the most part, non-ODA channels provide less transparency than ODA, nor report in a manner that is immediately comparable with ICF. There is a clear interest in them doing so, reflecting both the importance of effective use of public money and as part of their role in a commitment to international partners. Greater transparency will also enable better awareness of synergies and improve an understanding of what is effective use of public money and what is not. This varies by institution:

- For BII, this should be relatively straightforward, given its existing status as an ICF recipient, its familiarity with ICF reporting and its existing approach of reporting in accordance with the IATI standard. BII uses its own in-house impact framework, which provides a subjective (though independently reviewed) scoring of impact according to set criteria. It is certainly capable of high impact, with its high level of patient equity investment relative to other DFIs filling an underserved niche and having pioneered the establishment of new platforms and companies<sup>63</sup> to fill gaps in infrastructure investment in poorer countries. Whilst BII has a sophisticated in-house impact framework, additionality and impact are difficult to externally interrogate without a detailed understanding of project context. This is the same challenge facing ICF ODA in monitoring transformational change, and a shared approach to monitoring transformational impact and market creation would help facilitate learning and coherence. BII has also championed the importance of private sector resilience metrics but

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<sup>63</sup> Case\_Study\_Gridworks.pdf.

does not itself currently report on them or separately on its adaptation finance. This offers an immediate opportunity for improvement, alongside programme level scoring of climate finance in its annual report.

- UKEF have only just started reporting on aggregate climate finance in a manner that shows aggregate progress to the ICF target, and do not report on development impact beyond jobs created. Doing so, building on the approaches used in ICF and BII, would require significant upgrades in monitoring and reporting. But it would enable UKEF to take a leadership position amongst ECAs, including at minimum reporting on emissions savings through its climate-relevant activities (which it does estimate for some projects) and core indicators for resilience. At minimum, it should set out in its annual reporting how it has scored projects underpinning its climate finance, as well as separately reporting on maximum liability and actual finance mobilised. This should also enable UKEF to identify any gaps in reporting (for instance, for projects which may have a significant adaptation component but are not on the surface climate projects) and to ensure the resilience of its portfolio. Existing TCFD disclosure provides a starting point for programme level resilience and emissions reporting.
- For guarantees, which are reliant on MDB delivery and where impact is heavily reliant on project selection, there is a challenge of consistency. The project allocation and impact of Room2Run and the previous World Bank-India guarantee are not traceable. IFCAP annual reviews are published on DevTracker, providing a degree of transparency. This should be sustained and the norm for future guarantees, which should have equivalent requirements to transparency as ODA spending, and should include relevant updates on how programmes supported are additional and their likely impacts. The UK should ensure that MDBs supported through guarantees provide this information as a condition of support.

Collectively, these measures would enable the UK to provide a coherent annual update on progress towards its aggregate £12.7bn target, providing confidence to its partners and managing delivery risk.

We also suggest that the UK update its KPIs for adaptation (currently outlining only the number of people protected) to better reflect the diversity of adaptive outcomes, for instance developing sector-specific indicators (such as those used by the MDBs) in areas such as early warning systems, enhanced food security and pre-arranged finance. This would help drive results in priority sectors and better fill knowledge gaps around effective adaptation interventions.

### 4.3 Enhancing donor coordination

The UK also has an opportunity to play an outsized role in replicating its push for value for money with other donors. The ICF strategy has already committed to prioritising this through the multilateral climate funds and provides a window for ensuring overdue reforms to improve

coherence and simplify access. This should not be limited to the MCFs and should extend to bilateral delivery and the MDBs. A shared donor drive to improve harmonisation of results, simplify access, and better co-ordinate allocation decisions (both in-country and at the level of budget allocation), could help make significant inroads to a more effective delivery architecture which reduces duplication and eases access for countries with capacity constraints. It can also reduce the risk of like-minded donors cutting the same budgets in the same places all at once, which is a risk to both development outcomes and European geo-political interests.

Having set its ICF budget and strategy ahead of other donors, the UK is in a prime position to build a climate finance effectiveness agenda internationally, co-ordinating more closely with other donors to improve coherence both at the point of allocation decisions and delivery, including regarding geographical prioritisation. An approach to greater donor co-ordination at the point of portfolio allocation has been proposed in the context of the EU by I4CE.<sup>64</sup> In advance of COP31, CGD is developing a framework for effective public climate finance which will incorporate such coordination as a central pillar. In-country, more co-ordinated delivery of country platforms can help replicate the JETP's success in donor coordination whilst overcoming the political economy barriers that have hampered their implementation by ensuring the entire climate finance delivery architecture is coalescing around local plans and institutions.

## 5. Options to go further

As we have shown, the intended increase in non-ODA suggested in ICF4 is both real and legitimate, but more modest than initial impressions due to the absence of a like-for-like baseline. Given the enormity of climate finance needs and the clear national and development interest in these being better met, there is an urgency to go further even in times of fiscal duress.

The ICF Strategy does not cover the totality of UK climate finance levers and many of the biggest ones at the government's disposal – especially for middle-income countries – remain untapped. Beyond ODA, there are a number of near-term opportunities for the UK to increase its footprint on climate and development finance levels in L/MICs. We have omitted from the below any significant new spending measures or any measures – such as further SDR issuances or multilateral solutions on debt – that would require international agreement that is unlikely in the current political context. They include:

- Further ambition in **international financial architecture reform**. Our colleague, Nancy Lee, has [outlined a series of further measures](#) that could be taken forward to advance the Capital Adequacy Framework, even in challenging politics. Specific measures the UK could advance alone and at low cost include expanding technical support for further

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<sup>64</sup> State of play of the EU's climate-specific development finance - I4CE.

development of origination models and synthetic securitisations; and encouraging the use of hybrid capital (which can allow capital injections without a capital increase, from both the public and private sectors, and remains at only a fraction of its potential use). It must also play a prominent and active role, working with like-minded partners, to preserve climate policies in MDBs.

- **Further MDB guarantee issuance.** As we have noted, this reflects the best use of the UK balance sheet for reaching scale and – if accompanied by budget reprioritisation – allows more grant-based ODA to be allocated to those who need it. Working with other like-minded donors to replicate the IFCAP model in other geographies – including a potential renewal of Room to Run Sovereign – could free up billions in climate finance. This would have a negligible impact on UK liabilities, especially if well-established evidence on MDB default rates is factored into risk scoring. The UK could also consider proposed [changes](#) to its treatment of guarantee defaults to reduce the impact that any such default would have on its balance sheet, though this would need to be done in a manner which didn't simply transfer risks back to MDBs.
- **CBAM** will be introduced in the UK in January 2027<sup>65</sup> and has been estimated to generate between £340m to £1.8bn per year.<sup>66</sup> Some of the most exposed countries to the EU CBAM include MICs such as India, Morocco, Egypt and Türkiye,<sup>67</sup> with analysis finding Africa to be the hardest-hit continent as a percentage of GDP.<sup>68</sup> Using a share of CBAM revenues – those paid by L/MIC exporters – to support carbon pricing and the development of future green industries in low- and middle-income countries would overcome criticism of CBAM as a hidden trade protection measure, easing relations with trade partners and accelerating green industrialisation. This could boost grant-based finance within and beyond the current Spending Review period, build future trade links and become a further vehicle for UK mitigation finance. The Treasury's blanket opposition to the hypothecation of funds should be reconsidered where there are such obvious political economy and strategic benefits which can deliver jobs and development outcomes.
- **Carbon markets.** Whilst not without criticism, carbon markets offer valuable revenue for climate projects in developing and vulnerable countries. The UK and its financial sector have long been a proponent of efforts to build high-integrity markets, but absent regulatory or financial incentives efforts have stagnated. With global mechanisms like Article 6 and CORSIA (for airlines) now operational and the EU now intending to allow limited international credits to meet its 2040 targets, there is likely to be renewed scrutiny on the

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65 Factsheet: Carbon border adjustment mechanism - GOV.UK.

66 The Carbon Border Adjustment Mechanism - its impact on UK competitiveness and carbon pricing | Frontier Economics.

67 World Bank - CBAM Exposure Indexes.

68 AFC-and-LSE-Report-Implications-for-Africa-of-a-CBAM-in-the-EU.pdf.

role international credits play in UK climate policy. This would open a further window for channelling concessional finance to L/MICs.

- **Better use of financial policy levers to** channel finance to L/MICs, including through the government's response to the EMDE Investor Taskforce. This could include better use of transition plan requirements for international activities, more accurate reflection of real risks in emerging markets through domestic implementation of Basel III, and closer working with credit rating agencies to reflect real data on returns. Where investment shortfalls are a consequence of sub-optimal data and risk allocation, correcting these should be the priority. There is a direct read-across to ICF, with shortfalls in current policy including more accurate treatment of public finance institutions and development finance instruments in prudential policy,<sup>69</sup> and ICF programmes such as FSD Africa seeking to develop local capital markets. This should also interrogate gaps in the UK's prudential regulatory regime, which focuses on the risks facing individual organisations but overlooks systemic risks caused by a lack of clean, resilient investment. Recently announced [changes](#) to the Bank of England's collateral framework to reflect climate risk suggest there is an increased appetite to do so. Both national action and multilateral leadership, including through the UK's forthcoming [G20 Presidency](#), will be needed.

The UK will need to submit its overall strategy for finance mobilisation to developing countries to the COP this year, including support measures and wider financial policy support. This provides an opportunity for the UK to integrate such measures under a new government, alongside further elaboration of its planned ICF programming.

## 6. Conclusion and recommendations

The growing impacts of climate change, and the urgent need to increase financial flows for both mitigation and adaptation, are well-evidenced. The UK's reduction in ODA ICF is a function of the reduction of the ODA budget, within which climate is relatively well protected. This underscores the need for the use of a full range of levers to meet climate needs, but there will also be a continued need to increase grant-based and concessional finance in the absence of market solutions in many areas, particularly adaptation in the poorest countries. The overall financing level across ICF4 suggests a very marginal overall increase in climate finance, but with a lower ability to deliver in the most vulnerable places and well short of a response to the rising scale of the challenge.

The separation of ODA and non-ODA spending lines in the delivery of the ICF's overall £12.7bn is critical for ensuring a baseline of quality, grant-based finance and should be sustained. For its ODA portfolio, having set broad themes through the ICF Strategy, effectiveness will now be driven by prioritisation in delivery. We recommend this includes:

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<sup>69</sup> [E3G-IDFC-Report-Intersection-of-PDBs-Prudential-Regulation-and-Credit-Ratings.pdf](#).

- an evolution in the approach to private finance away from chasing direct mobilisation towards more risk-bearing investment and market creation, accompanied by continued effort to drive MDB climate finance at scale
- the need for targeted approaches to adaptation which either increase scalable mobilisation models or reach those most in need, with agriculture in particular a priority, and efforts to ensure grant-based ODA meets the most vulnerable
- an evolution of the energy portfolio to focus concessional finance on transformational approaches to deep decarbonisation
- support for country-led plans, with a clearer picture of how multiple delivery partners work collaboratively to deliver these and an intentional pairing of technical assistance with capital investment

The addition of non-ODA to the UK's target brings into the spotlight a range of other means by which the UK is already delivering climate finance, which if met would lead to an estimated increase in non-ODA ICF of around 40 percent over ICF4, relative to ICF3. It also has distributional impacts, with only around 7 percent of non-ODA projected to reach LDCs. This argues for an increased focus on ICF ODA in the most vulnerable countries.

A number of initiatives needed to meet the target face high-delivery risk which the UK will need to engage on to ensure delivery. But it can also be comfortably exceeded if BII exceeds its conservative climate target, UKEF increases support for climate lending in LMICs, or with further measures such as additional guarantee issuance. The target is ambitious in that effort will be needed to deliver it, and unambitious in that nothing new is being committed to.

It also brings to the fore reduced transparency around non-ODA. It is difficult to determine the impact, or even track, many of the UK's non-ODA levers. There is a need to provide greater accountability around delivery and ensure the effective use of public money. This should be as coherent as possible. There are particular challenges for UKEF, which is not (like BII or the MDBs) set up to monitor development impact.

There are also opportunities within the expansion of ICF to increase coherence and effectiveness. This can be enabled by greater information flow and shared agenda-setting across ICF levers. This is especially true in MICs, where most non-ODA will operate, but will also be important in LICs as budgets tighten and the UK becomes more reliant on multilateral delivery and as cuts to country programmes bite.

This challenge of co-ordination is also true globally, and the UK can play an outsized role in response. A concerted effort towards co-ordination of decision making amongst donors and rationalisation of the delivery architecture can help reduce the impact of cuts to concessional finance, and should be used to target a more effective system that is easier to navigate for L/MICs.

Under a new government, the overall footprint of UK climate finance can go beyond ICF. This includes continued efforts to expand MDB use of balance sheets to take on risk and expand securitisation models, consideration of further guarantee issuance and overdue consideration of financial regulatory levers. There are near-term opportunities to reinforce this through well-justified re-allocation of CBAM costs incurred by L/MICs or through growth in UK carbon markets. Latitude to go further in ODA will require a plan to restore the UK's aid budget.

In response, we recommend that:

1. The UK undertakes a series of measures to ensure the effective prioritisation, performance and delivery of ICF in the coming period. This should include publication of updated best-buys guidance (in order for them to be used as a global good as well as for informing UK prioritisation), thematic delivery strategies for the four ICF priorities with accompanying impact targets, and annual progress updates across ODA and non-ODA ICF, including programme level impacts. Evolution of KPIs for adaptation and nature should also be considered, to better reflect the diversity of intervention types and impacts.
2. The UK sets an adaptation finance target for its grant-based ODA, well in excess of 50 percent and moving towards 70 percent. This could be limited to its bilateral portfolio and should include a commitment to target dedicated adaptation finance to the most vulnerable countries, including FCAS, outside of exceptional circumstances (such as humanitarian response). The case for this is even stronger given the low likelihood of non-ODA reaching these countries and an existing fall in public climate finance facing them. A strategy to increase non-ODA and private mobilisation for adaptation could be developed in parallel.
3. The UK establishes appropriate governance structures to enable shared strategic direction setting between ICF ODA and non-ODA, incorporating ICF, BII, UKEF, IFIs and other financial sector levers and with accountability up to ministerial level. This should allow fuller information exchange regarding strategic priorities and pipelines and should not be taken to mean undermining UKEF or BII's independence or mandates.
4. The UK sets out greater clarity on the constitution of its £6.7bn non-ODA target and undertakes an exercise to tackle potential delivery risks. These are particularly acute for UKEF (which will require purposeful effort to reverse a recent decline in ICF-relevant activities), the IMF RSF (which is both stagnating and seeing calls for alternative use of funding) and the Indonesian guarantee facility. Where delivery risks are insurmountable, it should consider alternative high-impact means of meeting the target – including further development guarantee issuance and an increased target for BII, reflecting on historic overperformance and the launch of British Climate Partners.

5. The UK identifies a small number of countries (4–5) in which collaboration across targeted ODA (including bilateral and multilateral ICF delivery routes) and non-ODA levers – including BII, guarantees, and UKEF – could have a synergistic impact through sequenced investment. This could be done with other like-minded donors, such as through country platforms.
6. The UK plays a more active role in donor co-ordination and in supporting a more effective global delivery architecture, including dedicating senior or ministerial time to associated engagement. This could include the adoption of shared climate finance effectiveness principles, greater pooling of global evidence, and the development of a future vision for functional coherence amongst multilateral climate funds and other delivery partners, such as MDBs.
7. Ahead of COP31, the UK further considers measures beyond ICF ODA to generate additional climate finance and sets this out. This should include those outlined in section (5), specifically including consideration of further non-ODA measures, steps to implement measures to remove regulatory barriers to private capital mobilisation in L/MICs in light of the work of the EMDE Investor Taskforce, and partial use of CBAM revenues to accelerate emissions reductions in impacted countries as a supplementary concessional finance source to ICF ODA. This could be set out through the UK's forthcoming communication to the UNFCCC on its approach for providing support and mobilising finance to developing countries and include a private mobilisation target on top of its existing public finance target.

## Annex A. Methodological note on UK Non-ODA ICF estimates

Prior to including a new non-ODA target for ICF4, non-ODA ICF was not regularly reported by the UK government on a consistent basis. Public information has not been made available on the breakdown of non-ODA commitments. Establishing a baseline and forecast is therefore uncertain. The approach taken to generate the central scenario in this paper is detailed below.

**BII:** BII's historic climate finance is based on its gross climate finance in its annual reports, whilst its forward projections are based on an assumed flat rate of spending in future years within its stated £7–8bn target range over a five-year period. Our central scenario uses £7.5bn in the middle of this expected range (equating to £1.4bn–£1.6bn per annum). As new capital provided to BIII counts as ODA and the climate proportion of it is scored as ICF, we deduct a share of in-year contributions to BII by the UK based on the percentage of BII outflows which are reported or projected as climate finance. Our central scenario assumes that the UK netted off its £1.16bn ODA contribution to BII in 2025, some of which has not yet been converted into equity by BII. If this is accounted for over a number of years, rather than when the promissory note was laid, it would negatively impact BII's contribution to the UK's non-ODA target in the coming three-year period, with an estimated downward impact of £270m.

**TABLE A1. BII Climate Finance Scenarios, 2021–2028**

|                                           | 2021       | 2022       | 2023       | 2024       | 2025       | 2026       | 2027       | 2028       | Total ICF4  |
|-------------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| BII Total Commitments (7bn Scenario)      | 1866       | 1273       | 1310       | 1750       | 1820       | 1400       | 1400       | 1400       | <b>4200</b> |
| BII Total Commitments (8bn Scenario)      | 1866       | 1273       | 1310       | 1750       | 1820       | 1600       | 1600       | 1600       | <b>4800</b> |
| BII Climate Commitments (7bn Scenario)    | 479        | 591        | 449        | 708        | 827        | 560        | 560        | 560        | <b>1680</b> |
| BII Climate Commitments (8bn Scenario)    | 479        | 591        | 449        | 708        | 827        | 640        | 640        | 640        | <b>1920</b> |
| BII Climate Finance %age                  | 0.26       | 0.46       | 0.34       | 0.40       | 0.45       | 0.40       | 0.40       | 0.40       |             |
| HMG Equity Contribution to BII            | 446        | 446        | 442.5      | 442.5      | 1160       | 143        | 143        | 143        | <b>429</b>  |
| ICF ODA 'Paid in'                         | 114        | 207        | 152        | 179        | 527        | 57         | 57         | 57         | <b>172</b>  |
| <b>Total non-ODA ICF (7bn scenario)</b>   | <b>365</b> | <b>384</b> | <b>297</b> | <b>529</b> | <b>300</b> | <b>503</b> | <b>503</b> | <b>503</b> | <b>1508</b> |
| <b>Total non-ODA ICF (8bn Scenario)</b>   | <b>365</b> | <b>384</b> | <b>297</b> | <b>529</b> | <b>300</b> | <b>583</b> | <b>583</b> | <b>583</b> | <b>1748</b> |
| <b>Total non-ODA ICF (7.5bn scenario)</b> | <b>365</b> | <b>384</b> | <b>297</b> | <b>529</b> | <b>300</b> | <b>543</b> | <b>543</b> | <b>543</b> | <b>1628</b> |

**Guarantees:** Reporting of guarantee expenditure is not standardised across UK interventions, posing challenges for attributing in year expenditure and requiring a case-by-case approach to estimation. Parliament must be notified of contingent liabilities, and these report the full value of the loan or finance to be guaranteed. However, counting guarantees at issuance would create steep jumps when in practice, the liability of the loans guaranteed would run for the length of the loan. In the absence of full details on the length of loans guaranteed, we have therefore spread the finance supported by guarantees over several years based on available sources. For Room2Run and the World Bank India Green Guarantee, we have assumed the original project timeline as envisaged by the UK business case, meaning funding is fully allocated by the end of 2025/26. There is a possibility that some

Room2Run expenditure will carry forward into 2027, which on an annualised basis could add c. £300m to the total forecast. For IFCAP, we have used the UK's most recent annual report, presuming spending at a flat rate in future years. The JETP guarantees in Indonesia and South Africa assume a flat rate of allocation in future years, once existing expenditure (in the case of South Africa) has been accounted for. It is notable that the Indonesia guarantee has not allocated any funds to date, and any future allocation is highly uncertain given the wider context of Indonesia's JETP implementation.

**TABLE A2. Estimates of historic and projected guarantee portfolio allocation, 2021/22–2028/29**

| £m                       | Full Value        | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | Total ICF4 |
|--------------------------|-------------------|---------|---------|---------|---------|---------|---------|---------|---------|------------|
| AfDB Room2Run            | 1500              | 300     | 300     | 300     | 300     | 300     | 0       | 0       | 0       | 0          |
| IDB IFCAP                | 210 <sup>70</sup> | 0       | 0       | 0       | 5       | 279     | 279     | 279     | 279     | 836        |
| WB Indonesia JETP        | 750               | 0       | 0       | 0       | 0       | 0       | 250     | 250     | 250     | 750        |
| AfDB South Africa        | 750               | 0       | 0       | 0       | 0       | 0       | 300     | 225     | 225     | 750        |
| WB India Green Guarantee | 750               | 150     | 150     | 150     | 150     | 150     | 0       | 0       | 0       | 0          |
| <b>Total</b>             |                   | 450     | 450     | 450     | 455     | 729     | 829     | 754     | 754     | 2337       |

**IMF RSF:** Figures for the IMF are taken from the latest update to the board, which downgraded forecasts compared to previous projections, and assume that all further lending through the RSF are climate relevant. There is a strong possibility that this is not the case, with a range of proposals for future RSF activities to increase its focus on more general resilient growth interventions and on pandemic preparedness. This would reduce the amount attributable under ICF4. We assume a flat rate of 7% of RSF lending as attributable to the UK, reflecting the proportion of SDRs allocated to the facility by the UK.

**TABLE A3. IMF RSF historic spending and forecast with UK attribution, 2021–2028**

| SDR (m)           | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | Total ICF4 |
|-------------------|------|------|------|------|------|------|------|------|------------|
| Approved          |      | 900  | 3800 | 2100 | 3400 | 100  |      |      | 100        |
| Projected         |      |      |      |      |      | 1600 | 1700 | 3000 | 6300       |
| Total (XDR)       | 0    | 900  | 3800 | 2100 | 3400 | 1700 | 1700 | 3000 | 6400       |
| Conversion to GBP | 0    | 954  | 4028 | 2226 | 3604 | 1802 | 1802 | 3180 | 6784       |
| UK Share (7%)     | 0    | 67   | 282  | 156  | 252  | 126  | 126  | 223  | 475        |
| No. of projects   |      | 3    | 13   | 5    | 5    | 5    | 7    | 6    | 18         |

Source: 2026 Update of Resource Adequacy of the Poverty Reduction and Growth Trust, Resilience and Sustainability Trust, and Debt Relief Trusts in: Policy Papers Volume 2026 Issue 004 (2026). These figures are based on approvals, with actual disbursements delayed beyond this (e.g. 5.9bn SDR by end Feb 2026).

<sup>70</sup> As a portfolio guarantee taken with a number of guarantors and due to risk-sharing arrangements with the ADB, the UK's IFCAP guarantee unlocks significantly more ADB finance than its public value. Total outflows unlocked through it are therefore significantly greater than the UK's contribution.

**UKEF:** For 2025/26, the first year in which UKEF reported finance for climate action as part of its Impact Report (and where disaggregated data were not available at the time of writing), we took the amount of finance reported under SDG15 (climate action). For the previous 4 years, we constructed estimates based on reporting in UKEF's businesses supported table. This assigned a score of (1) for projects either in a sector clearly focussed on climate results (such as renewables) or where a sustainability motivation was clearly evident in the project description, meaning that 100% of the project would count. We assigned a project score of 0.4 in the high scenario for projects which are in climate-sensitive sectors and geographies where there was an implication that climate had been considered either due to sectoral sensitivity or from available project descriptions. For the low scenario, we maintained a score of 1 for projects in clear climate sectors (such as renewables) but lowered the score where only a sustainability motivation was evident to 0.4. We also lowered scores from 0.4 to 0 for projects where climate sensitivity may have been considered but is not confirmed. Given the lack of explicit climate finance allocations in UKEF reporting, we did a keyword search for large projects (over £10m), which provided further information including from UKEF announcements. This may omit a number of smaller projects, as well as projects where certain sub-components may be climate relevant (for instance, any components of road projects which explicitly target resilience but are not evident from UKEF communications). This methodology is highly subjective as a consequence of lack of availability of project level data or climate scoring in UKEF reporting. For road building in Africa, where road building can contribute to resilience outcomes, our high scenario used a blanket score of 0.05, which was excluded in the low scenario. In practice, the incremental cost of climate resilience efforts should be reflected as climate finance and other costs excluded. This can vary widely between projects. Our 5% score is in line with worked example of KPI application given by the UK for a road building project in Zambia. <https://www.gov.uk/government/publications/icf-kpi-1-methodology-number-of-people-supported-to-better-adapt-to-the-effects-of-climate-change/icf-kpi-1-methodology-number-of-people-supported-to-better-adapt-to-the-effects-of-climate-change>. The UKEF share included in the central scenario is an average between our independently created 'high' and 'low' baselining scenarios, detailed below.

Given UKEF's inherently volatile lending patterns and lack of a specified target for international climate finance, our estimates for future UKEF finance are not a projection based on trends (and would in fact require a reversal in a drastic decline in international climate finance in recent years), but based on UKEF being the only known source for meeting the remaining 'gap' to the £6.7bn target. We have profiled this as an increase over a number of years towards a return to lending levels seen earlier in the 2020s, recognising that this is likely to require significant work to build demand. In practice, the residual for meeting the £6.7bn target could also be met by overperformance in other initiatives (such as BII exceeding its target) or additional initiatives (such as the UK's TFFF contribution being scored as non-ODA or additional portfolio guarantees).

**TABLE A4. Historic UKEF estimates (high and low manual scoring scenario) and future projections based on residual for meeting £6.7bn target**

|                 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | Total ICF4 |
|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|------------|
| <b>Low</b>      | 747     | 202     | 383     | 289     | 193     | 500     | 760     | 1000    | 2260       |
| <b>High</b>     | 1478    | 507     | 1061    | 453     | 193     | 500     | 760     | 1000    | 2260       |
| <b>Midpoint</b> | 1112    | 354     | 722     | 371     | 193     | 500     | 760     | 1000    | 2260       |

**Aggregating:** Taken together and combining with historic and projected ICF expenditure, the breakdown of total estimated historic and future UK ICF (ODA and non-ODA) is set out below. Percentage changes in the final common reflect the difference in annual average levels of finance in the ICF4 period as compared to the annual average finance level over ICF3.

**TABLE A5. Total historic and projected ICF across identified sources, 2021/22–2028/29**

| £m                | 21/22       | 22/23       | 23/24       | 24/25       | 25/26       | 26/27       | 27/28       | 28/29       | Total        | ICF3 Total | ICF 3 Ave | ICF4 Total | ICF4 Ave | % Change      |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|------------|-----------|------------|----------|---------------|
| <b>ICF ODA</b>    | 1623        | 1641        | 2277        | 2996        | 3063        | 2000        | 2000        | 2000        | <b>17600</b> | 11600      | 2320      | 6000       | 2000     | <b>86.2%</b>  |
| <b>BII</b>        | 365         | 384         | 297         | 529         | 300         | 543         | 543         | 543         | <b>3503</b>  | 1875       | 375       | 1628       | 543      | <b>144.8%</b> |
| <b>UKEF</b>       | 1112        | 354         | 722         | 371         | 193         | 500         | 760         | 1000        | <b>5013</b>  | 2753       | 551       | 2260       | 753      | <b>136.8%</b> |
| <b>Guarantees</b> | 450         | 450         | 450         | 455         | 729         | 829         | 754         | 754         | <b>4870</b>  | 2533       | 507       | 2337       | 779      | <b>153.7%</b> |
| <b>RST</b>        | 0           | 67          | 282         | 156         | 252         | 126         | 126         | 223         | <b>1232</b>  | 757        | 151       | 475        | 158      | <b>104.6%</b> |
| <b>Total</b>      | <b>3550</b> | <b>2896</b> | <b>4028</b> | <b>4506</b> | <b>4537</b> | <b>3998</b> | <b>4183</b> | <b>4519</b> | <b>32218</b> | 19518      | 3904      | 12700      | 4233     | <b>108.5%</b> |
| <b>Non-ODA</b>    | 1927        | 1255        | 1751        | 1510        | 1474        | 1998        | 2183        | 2519        | 14618        | 7918       | 1584      | 6700       | 2233     | <b>141.0%</b> |

**Key uncertainties – risks and opportunities:** We emphasise that there are significant uncertainties in both estimates of historical data and in forward projections. Major delivery risks and potential ‘upsides’ are detailed below. We note that additional possible ‘upsides’ include that previously allocated guarantees, such as the African Development Bank’s Room2Run guarantee, are not yet fully allocated and will continue to contribute under ICF4.

**TABLE A6. Key risks and opportunities across the UK’s non-ODA portfolio**

| Key Risks                                                                                                                  |               | Key Opportunities                                                                                                                     |               |
|----------------------------------------------------------------------------------------------------------------------------|---------------|---------------------------------------------------------------------------------------------------------------------------------------|---------------|
| UKEF fails to reverse its recent downward trend, with ICF eligible activities remaining at current levels of c. £200m p/a. | £1.6bn        | BII exceeds its climate finance target in line with recent trends, whilst also lending at the upper end of its £7–8bn lending target. | £550m         |
| Guarantees remain unallocated, with the Indonesian JETP continuing to stagnate.                                            | £750m         | TFFF is counted as a non-ODA contribution, with other ODA ICF programming compensating to meet the £6bn ICF ODA target.               | £400m         |
| RSF issues at slow rate or is diversified away from ICF-eligible activities                                                | £450m         | Additional issuance of portfolio guarantees via MDBs of a similar size to IFCAP/JETP guarantees.                                      | £750m         |
| <b>Total</b>                                                                                                               | <b>£2.8bn</b> |                                                                                                                                       | <b>£1.7bn</b> |